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Neighbourhood and district economic development: Domain report

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Abstract

Using “household microenterprises” (HMEs) to distinguish firms employing up to three people from other informal sector firms, this paper looks at this sector in five African cities – Accra, Lagos, Dar es Salaam, Lilongwe and Harare – using qualitative interviews and secondary literature. The paper discusses two meanings of regularisation for HMEs, identifying “progress” as meaning both routinisation (stability and predictability) of activities, and security (regularity and permanence) of income, at both individual and cluster/group levels. The paper then develops a coherent framework for analysing HMEs as firms, bringing together six issues which shape HMEs’ activities, but are often analysed individually: formalisation, factor supplies (capital, labour and entrepreneurship), hybrid governance, agglomeration, value chains with larger firms, and HME organisation. It examines each of these dimensions in detail, emphasising the importance of industrial sub-sector and spatial location in shaping how each dimension impacts an HME, and using examples from the research done on each of the five cities. The paper argues that several concepts are useful for thinking about HME policy, including necessity versus opportunity entrepreneurship, indirect formalisation via HME networks and groups, the benefits to HMEs of agglomeration, the significance of “everyday politics”, and HMEs’ presence in formal firms’ value chains. The paper concludes there is no general “one-size-fits-all” approach, arguing for a “bottom up” approach to HME policy.

Keywords: Informal sector, household microenterprise, financial inclusion, opportunity/necessity entrepreneurs, hybrid governance, SME agglomeration benefits, value chains and enterprise networks

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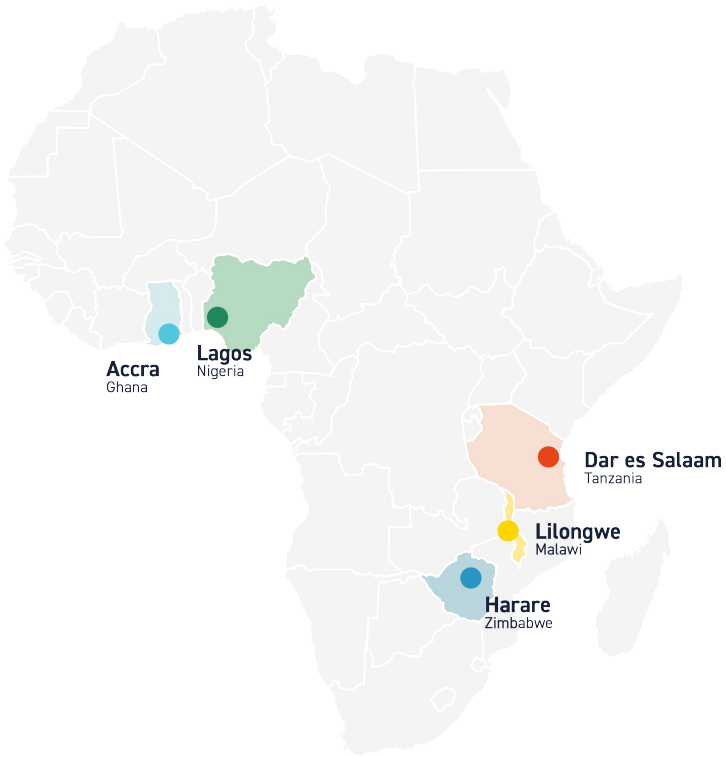
Executive summary

The neighbourhood and district economic development (NDED) domain focuses on what we call household microenterprises (HMEs) in five cities within ACRC: Accra, Lagos, Dar es Salaam, Lilongwe and Harare. The paper uses the label HME to distinguish these firms employing up to three people, from larger informal sector enterprises (and formal firms). The “household” qualifier is appropriate because an HME’s labour force is often the owner-operator alone, though some also have other family members, and because the home itself is often a site for some or all productive activities. HMEs are an intermediate category between the household (of the owner-operator) and the firm, with no economic or legal distinction between the two, but we argue that HMEs can be analysed using the same categories, pari passu, as for larger firms. In each city, we looked at HMEs in two “neighbourhoods”: informal urban residential spaces for low-income people, in which many also secure their livelihoods (production and consumption); and one “district”, spaces of commercial activity for large and small firms, but few residents. Industrial sector (manufacturing or service sub-sectors) and spatial location (the home, the marketplace, workshop yards, and so on) impact firms’ fortunes, while gender is also crucial.

Figure 1: NDED domain cities



The paper then looks at “progress” in the NDED domain. The discussion starts by distinguishing two meanings of the term “regularisation”, as used in Hart’s (1973) introduction of the informal sector concept. One meaning was “order” – stabilised activities with predictable outcomes – and the other “modernisation” – greater productivity and efficiency, leading to higher incomes. We argue that progress is not reflected in better income levels or poverty or inequality ratios at a city-wide, or macro, level. It instead involves both routinisation (stability and predictability) of activities and also security (regularity and permanence) of income for both individual HMEs (the micro level) and for clusters or groups (the meso level). This concerns not only revenues, but also costs, direct and indirect, for infrastructure and finance, as well as owner’s time (crucial in small firms), governance arrangements and bargaining power.

The paper then develops a framework distinguishing six dimensions of HMEs as firms. The three rows focus on internal productivity of individual firms, “voice” of groups of firms in a cluster or physical space, and city-wide economic development. The two columns focus on centralised state policy, aiming at regularisation as order, and on decentralised market actions, aiming at regularisation as modernisation.

Approaches to HMEs as firms

	Focus on	**Regularisation as order –** state-focused (centralised)	**Regularisation as modernisation –** market-focused (decentralised)
Micro	Internal productivity of individual enterprise	A. Formalisation: legal/tax status	B. Production factor supply: capital, labour, entrepreneurship (opportunity vs necessity)
Meso	Political economy and voice of groups of firms	F. HME associations and organisations	E. Value chains and markets: formal/informal (vertical or horizontal) interactions, self-regulation of markets
Macro	Urban economic development	C. Hybrid political governance: political settlement, everyday politics	D. Space and agglomeration: spatial density and proximity, congestion

Much informal sector literature focuses on one or another of cells A to D, often presenting the chosen cell as a “silver bullet” for informal sector firms or for government. Cells E and F are largely ignored, as are interactions across cells. The body of the paper looks in detail at each dimension, explaining the concepts illustrated by examples from NDED research and wider literature on these and other cities. We emphasise the importance of industrial sector and spatial locations and examine underlying assumptions to critique alternative policy recommendations.

We start by looking at formalisation – that is, legal and/or tax state registration. We critique the standard view that informality is chosen by HMEs, and argue that state-imposed formalisation and official construction and management of market spaces are

impractical – HMEs ignore formalisation, taxes are not collected, and HME locations are shaped by customer patterns, not state diktats.

The factor supply cell examines HMEs' lack of financial inclusion – notwithstanding micro finance institutions, informal savings clubs, and mobile money – forcing them to rely on informal moneylenders. Ecosystems – interdependent institutions, policies and organisations sharing a common purpose, mobilised and coordinated by a public or private sector organisation – are needed for both entrepreneurial training and financial literacy, but different ecosystems are needed for different types of HME. A crucial distinction in the paper is between necessity versus opportunity entrepreneurs. Ex ante identification is necessary for policy, based on their personal capabilities and family resources, their enterprise's history and patterns of innovation/adaptation (especially product differentiation), their business skills (especially accounting, business strategy, and marketing), and their financial behaviour, their savings, investments and loans, and attitude to risk.

Hybrid governance means that formal and informal rules and regulations co-exist, though both are based on the threat of violence. Informal groups – gangs, political party members or traditional authorities – impose charges ("transfer rents") on HMEs, as often do formal state-linked agents, over and above formal fees. Some informal regulation systems may have legitimacy for HMEs and residents, such as market queens in Accra, a positive example of "everyday politics" involving implicit codification which offers a critique of formalisation, or legal/tax registration as the only beneficial path. Everyday politics, the institutional context of daily decision-making in neighbourhoods, is locally diverse within cities, and shaped by sector and spatial location, but at least as important to HMEs and informal settlement residents as the "political settlement" (PS) shaping formal city politics. There, NDED actors are often relatively powerless "vote banks".

Literature on agglomeration in African cities focuses on congestion and its costs, directly on productivity, and indirectly on health, crime and land values. Recent analysis has shown that agglomeration benefits also exist, if lower in Africa as urban disconnection and fragmentation leads to lower proximity and density, fewer large firms and higher product costs. There are clearly agglomeration benefits for HMEs too, demonstrated by sub-sectoral collocation in both services and manufacturing. The reasons are standard: sharing (collective input acquisition), matching (lower transaction costs for customers and for manufacturers buying inputs), and learning from knowledge circulation (usually within sectoral clusters). As for larger firms, the benefits for HMEs are very localised, but they underline that cooperation benefits offset competition costs.

Also not well discussed in the informal sector literature is the extensive interaction between HMEs and formal firms, both vertically up or down the same value chain (VC), and horizontally across a single product market. Many HMEs will be pushed towards codified business practices through VC inclusion, while their role in formal sector VCs may affect the latter's profitability. HMEs have limited power over input and output pricing in exchanges with formal firms, which affects "burden-sharing" in response to

macro shocks like price rises for oil or agricultural crops, or exchange rate collapses. HMEs' negotiation power is linked to their potential switching costs and so partly depends on the number of formal firms in the sector, but if HMEs are organised within a VC, they can jointly press for greater benefit. In horizontal interactions, HME advantages come from increased customer affordability through smaller packaging or more customer-friendly spatial location or opening hours.

The paper argues that many national, regional or city-based HME associations have large numbers of members and may be linked with political parties or trade unions, admitting them to policy debates. But they are not well-consolidated or strongly representative of HMEs, and their policies and membership services, as well as those of the state using these organisations, are "lowest common denominator" rather than specific to different members' needs. The paper argues that "indirect formalisation" – registering highly localised networks based on HMEs' market- or regulatory-related activities rather than individual HMEs – may be more useful to address infrastructure, market spaces, financial inclusion, public tenders and, especially, everyday politics.

In concluding, the paper underlines there is no general "one-size-fits-all" approach appropriate across a whole city, arguing instead for a "bottom up" approach, in which policy focuses on a selected small group of HMEs, using industrial sector and spatial location as selection criteria, as both variables are crucial in shaping successful outcomes for HMEs.

1. Introduction: Defining the domain

The starting point for ACRC has been the idea that policy interventions in urban areas that are oriented too strongly towards a specific sector or a specific system are likely to fail, because that orientation frames them too narrowly and fails to take account of relations and dynamics beyond the sectoral or systemic boundary. To address this, ACRC developed

> "the concept of 'urban development domains' to transcend both sectoral and traditional systems-based thinking, and to recognise that forward-thinking agencies, alliance and reform coalitions have long moved beyond sectoral thinking. Domains enable us to drill down into sub-city processes, relations and institutions, recognising that the political economy and systems failures vary across domains" (Mitlin, 2021; see also Kelsall et al., 2021: Section 4 and Appendix)

The ACRC project addressed eight domains across its 12 cities, one of them being the neighbourhood and district economic development (NDED) domain.

Since this label – neighbourhood and district economic development – is not common in the urban development or economic development literature, it is worth starting by outlining its origins, and the idea behind the NDED domain. This was to examine the economy of the informal settlements and townships, where many, probably most, low-income residents of ACRC's selected cities live and where many engage in some or all of their economic activities, producing and/or consuming, earning and/or spending their incomes. In defining the domain, we were aware that many residents only carry out some economic activities within the informal settlements – in other words, they work fully or partially outside them, or their consumption is partially outside the informal settlements. And for other people, their work or their consumption is fully or partially within the informal settlements, but they do not live there. Nonetheless, we wanted to start from the idea that there is an "informal settlement economy", which involves all or some of the economic activities of most urban dwellers in the ACRC cities.

Secondly, initial discussions within ACRC suggested that it would be useful to have two separate economic domains, one focused on macroeconomic growth and the other on low-income livelihoods. As is well known, the crucial process promoting economic growth, creating jobs and reducing poverty across many capitalist economies has been structural transformation, the movement of workers across sectors to raise their productivity. This has historically involved a shift from agrarian to industrial economies based in urban areas, and within industry, from low-productivity to high-productivity sectors. Structural transformation has not worked as well in Africa as in other regions, which is the underlying reason that poverty and informal settlements remain so prominent in African cities. As was first argued by W Arthur Lewis in the 1950s (Lewis, 1954), but is still true today, there are major macro-structural differences between developed and developing countries, particularly in Africa, because industrialisation, and the accompanying rural–urban migration, have proceeded along quite distinct historical paths (Heintz, 2020; Gollin et al., 2016; Jedwab and Vollrath, 2015). We were aware of course that many people working in high productivity sectors in African cities

live in informal settlements and do much of their consumption there too. But it was clear that ACRC needed one domain – titled structural transformation – focused on the macro level, on larger enterprises and their economic activities, especially their potential for promoting transformation, and a second domain focused on smaller enterprises and the livelihoods (production and consumption) of low-income residents.

What was also clear, as we defined the broad outlines of the domains, was that it would not be adequate to distinguish the two domains, structural transformation and NDED, by distinguishing them on the basis of the "formal/informal" categories used in the standard literature. *Both* domains are very concerned with how to increase productivity within the "informal economy", defined by the ILO as "all economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements".[1] The informal economy includes both:

1. The "informal sector" – enterprises neither incorporated nor registered with government authorities; and
2. "Informal employment" – employment which is not subject to national labour legislation, income tax, social protection or entitlement to certain employment benefits, whether the employer is in the formal or informal sector (ILO, 2018).

Over the five decades or so that they have been used, the terms "informal economy" and "informal sector" have become catchall words, with researchers, government departments, policy organisations and others using the same "informal" label to reference often quite distinct economic actors, in particular firms of different sizes (defined by labour force or fixed capital assets). Use of the same descriptive term for enterprises of different sizes or with a similar legal/regulatory status often – one might even say usually – leads to identical treatment in research or policy analysis, though, to be fair, they are often distinguished sectorally. The formal/informal distinction has become the key object of public policy, often leading to untargeted "formalisation" interventions as a panacea for all informal enterprises, whatever their size and structure, often at the cost of ignoring their differentiated interests, in economic, political and policy terms.

The "informal sector" label includes many small enterprises which are informal in the sense of not being legally incorporated and/or tax-registered, but nonetheless are relatively financially sustainable, in that they have a relatively large, and often stable, workforce, including people outside the enterprise owner's household, have regular and routinised operations in a fixed location outside the owner's household, have a formal bank account and often written financial records. These enterprises should be distinguished from much more insecure *microenterprises*, which have a smaller labour

[1] See ILO (2012). "Informal economy and atypical forms of employment". Online resource, 12 January. The quote continues: "Their activities are not included in the law, which means that they are operating outside the formal reach of the law; or they are not covered in practice, which means that – although they are operating within the formal reach of the law, the law is not applied or not enforced; or the law discourages compliance because it is inappropriate, burdensome, or imposes excessive costs."

force – often just the owner themselves, or the owner plus one or two family members – and limited capital investment. Their operations are not always routinised or always in a fixed location, they may not have a formal bank account and probably have no written financial records. These two groups also have different interests economically and politically and different policy needs. The distinctions between them allowed for a division between the structural transformation and NDED domains, even as we recognised that the distinctions were blurred, that many enterprises fitted partially into each category.

The NDED domain focuses therefore on the microenterprise segment within the informal economy, as these provide livelihoods and incomes to a majority, or at least a plurality, of people living and working in African cities. A first challenge was how to label these enterprises, since the term “informal” is no longer useful. Indeed, one objective of this paper is to argue that the term “informal” should no longer be used at all to distinguish enterprises, sectors or economies, as it has become the source of significant conceptual confusion, because it refers to a range of different kinds of enterprises. At the start of the ACRC project, we settled on “household microenterprises” (HMEs), a label adopted from Gulyani and Talukdar (2010), partly because it has the advantage of referencing both the size and composition of the labour force (often members of the same household or family), and of pointing to the owner’s home as often an important location of the microenterprise’s activities. For many HMEs, the quality and size of their physical house, their (physical and legal) security of tenure, and the house’s access to infrastructure services (energy, water and transport) may all significantly impact their activities. Needless to say, the importance of the household, in both its senses, varies across HMEs. Many HMEs are owner-operators working alone, called “own-account workers” by the ILO, while other HMEs do employ a few (one or two) other people: these are often family members of the owner, but they may not be. Some HMEs, but not all, use their homes for all or some of the enterprise’s activities. It is also crucial to note that HMEs – household microenterprises – is a *different* category to HBWs (or HBEs) – home-based workers (or home-based enterprises) – used by the ILO or WIEGO (see ILO, 2013; Chen, 2014). HBWs are part of HMEs, but HMEs are a much larger group of enterprises. So the use of “the household” in the HME category is important, even with these caveats and different interpretations, but these should be borne in mind when using the HME category. It should also be noted that another label – “*nano*enterprises” – was introduced in 2021 by SMEDAN, the government-run Small and Medium Enterprise Development Agency of Nigeria, as it prepared for its 2021 survey of SMEs. This term refers to enterprises with one or two workers, to distinguish those from microenterprises, which had previously included all enterprises employing up to nine people, but now was reserved for enterprises employing between three and nine people (SMEDAN, 2025). It is useful to have this additional size distinction, even though there is no mention of households, but the term only came to our attention long after ACRC had begun.

In defining the NDED domain, we focus on HMEs as a distinct intermediate category *between* the owner-operator (and their household) representing labour and capital of the enterprise, and the microenterprise itself, in a situation where there is no economic or legal distinction between the household and the enterprise. But, despite the HME's intermediate status, I argued as lead of the NDED domain in ACRC that an HME could be analysed as a firm, a particular type of firm, but a firm nonetheless, using the same categories, pari passu, as used to analyse larger or more formal firms: capital and labour; inputs, production and outputs; infrastructure and financial needs and access; markets and competition, value chains and business networks; political governance; costs and revenues, profit and loss; and investment and innovation processes. I had spent very little time studying small or microenterprises before starting the ACRC work, but I had analysed large firms, both multinationals and large domestic firms, for many years, and was convinced, and still am, that firm-level analysis was the right approach, looking at these and other criteria.[2] Of course, as the mention of pari passu above underlines, one's use of these criteria must take account of the size of the firm, as this will impact on the management process, the links with the capital market and with suppliers, competitors and customers.

2. The scope of the domain

Having defined the object of the domain as HMEs, we needed to define the scope of the work. As we note in the rest of this section, there are a very large number of HMEs in many different economic sectors and in many different areas in all of the five cities – Accra, Lagos, Dar es Salaam, Lilongwe and Harare – where we planned our work. Furthermore, given the time and financial constraints of the ACRC project, these numbers were too large to make even a small quantitative survey across the five cities sensible, even if the focus were restricted to one economic sector and/or to one area, which itself was not sensible. Instead, we aimed for a qualitative analysis across a wide range of issues, aiming to use the interviews to supplement a wide array of literature (focused on the domain's cities and more broadly) to allow some broad conclusions to be drawn, about how the domain approach allows us to transcend sectoral or systemic constraints to think about policy interventions for this sector.

We now spell out the broad scope of HMEs in the five cities where we worked, starting with aggregate numbers and some gender breakdown, then moving onto sectors, followed by spatial locations within the city.

2.1. Aggregate numbers

The ILO (2023: Figure 61A, page 87) estimates that 74% of urban workers in sub-Saharan Africa (SSA) are in informal employment. Across urban *and* rural areas, 55.9% of informal workers are own-account workers and 22.9% of informal workers are

[2] A hidden reason for this is that this author, the lead in the NDED domain, had spent years studying large firms, including multinationals and large domestic firms, but very little time on small or microenterprises. Nonetheless, he was convinced at the outset, and still is, of the point made in the text.

contributing family members, implying that in total 78.8% of informal workers are in HMEs (ILO, 2023: Figure 56B, page 82).

It is difficult to estimate precisely the scale of HMEs within most African cities, as aggregate statistics by the ILO or by national statistical offices – even if available at the urban scale – focus not on HMEs per se, which is not a category recognised in the literature, but instead use the more conventional and broader categories of informal sector or informal employment. However, there are some helpful exercises at the city level, which provide a broad indication of the aggregate number of microenterprises in a specific jurisdiction, and are worth citing for that reason. However, the variation in the estimates of numbers of HMEs and of their share of each city's population underlines the need for caution in assessing aggregate statistics for HMEs. Note that we could not find aggregate data for Lilongwe or Harare.

In *Nairobi*, which is not covered here but is worth citing for comparison, Gulyani and Talukdar (2010) extrapolated from a 2004 survey of 1,755 households in the city's informal settlements to (conservatively) estimate 130,000 people working in 81,000 informal-settlement-based HMEs (1.6 people per HME), suggesting 4.8% of the city's population of about 2.7 million at the time. Their estimate was much higher than previous assessments for Nairobi.

In *Accra*, WIEGO used the 2015 Ghana Labour Force Survey to estimate that informal employment was 1.31 million people, constituting 83.2% of total Accra employment of 1.58 million (Baah-Boateng and Vanek, 2020 (drawing on the 2015 Ghana Labour Force Survey (ILO, 2015)).[3] For males, informal employment accounted for 79.1% of Accra's total and for females 86.6%. Looking at informal employment only, about 45% was in HMEs, of total employment of 1.578 million: 662,500 own-account workers and another 44,600 contributing family workers, making 707,000 in total, or 15.1% of the city's then-population of about 4.7 million. HMEs in Accra employed 1.07 people on average.

In *Dar es Salaam,* Lyons and Msoka (2008) estimated a population of 700,000 street vendors in 2007, while a 2014 estimate suggested 1 million using city government data (Mramba, 2015). However, another estimate based on national government data suggested at least 400,000 unregistered enterprises in 2012 in the city (Olomi and Charles, 2016).[4] In 2022, the government estimated about 1.2 million, equivalent to 62% of the city's 1.95 million labour force (perhaps a low estimate), worked in the informal sector, a small increase from the 61.5% calculated in 2014 (NBS, 2022: 48-49).

[3] A different WIEGO study reports the (unweighted) average informal employment as a share of total employment across seven continental SSA cities – none of those in ACRC – of 80.3% for the total population, 73.3% for men and 88.4% for women (Herrera et al., 2012, Table A1).
[4] Olomi and Charles (2016) use data from URT (2012). For Tanzania, the estimate was 2.75 million people operating 3.16 million enterprises in Tanzania, of which 2.07 million (96%) were not registered, 1.9 million (90%) were not licensed, and 1.4 million (66%) were one-person businesses (URT, 2012).

For *Lagos,* the Nigerian government's 2017 survey of micro and small enterprises estimates 3.418 million microenterprises (employing up to nine people) in Lagos, who employed 1.555 million people in addition to their owners, making a total of 4.973 million people, with an average of 1.48 people per HME (SMEDAN and NBS, 2017: Table 75). Lagos' 2017 population was estimated by the Nigerian government to be 12.29 million, though the Lagos state government estimate was over 21 million. HME employment was therefore somewhere between 24% and 38%.

Many HME entrepreneurs are women, for whom pressure on time (a finite resource) is even greater than for men, due to domestic and family obligations, while personal vulnerability and safety are a major concern. These issues may well affect the relative incomes of women and men, even in the same physical and market spaces. Looking at the gender breakdown of HME workers using the same sources as above, women accounted for 79% of all HME workers in Accra and 55.4% in Lagos. The Nairobi informal-settlement-based residents' survey estimated 49% of HME workers were women, while of all workers, women were four times more likely than men to be in HMEs, after correcting for age and education. In Dar es Salaam, 56.5% of men and 68.4% of women in the city worked in the informal sector. As with aggregate figures, the number of women HME owners varied quite widely across these cities.

The aggregate contribution of HMEs (or even the broader concept of informal enterprises) to African city economies is generally not adequately counted for inclusion in total value added, or GDP, statistics. But their overall contribution to growth is likely to be small, given low average productivity, though there may well be wide variance across HMEs, connected to their interactions with larger firms (formal or informal) and with different infrastructure systems. However, HMEs provide employment and livelihoods for a very significant share of the African urban population, as an essential part of the urban "consumption economy". Their activities are part of distribution processes enabling poor residents of urban neighbourhoods to access a range of essential goods and services at affordable prices and quantities, even if quality is sometimes compromised. For example, many retail HMEs' productive activity includes repackaging fresh food and manufactured household goods from large volume packages into smaller sizes which low-income households can afford to buy and to store. A 2009 survey across 11 cities in southern Africa found that some 70% of low-income households normally sourced foods from informal traders or street vendors (Skinner and Watson, 2020, citing Crush and Frayne 2011: 798). Low-income neighbourhoods are often "poverty traps", reflecting stasis rather than growth, but HMEs enable people to manage their poverty – that is, to survive. This underlines that effective demand amongst low-income consumers is an important factor shaping HME growth, which is therefore one step removed from national- or city-level aggregate demand. And when thinking about HME policy, it must be remembered that a sudden suppression or removal of HME activity would likely jeopardise the already low living standards of large numbers of people in the short term.

3. Sectors and spaces

3.1. Economic sector

An enterprise's economic sector is critical to shaping its own geography and history, including for HMEs – the sector influences its specific spatial location(s) within a city and its "locational agility" (its ability to shift location, temporarily or permanently), access and distance to input markets, the impact of formalisation, and its vulnerability to specific environmental and climate change impacts. The sector also shapes an enterprise's value chain and the nature of the competition within the chain – that is, its links with both other HMEs and with larger businesses (formal and informal) and within its product market. The sector impacts on an HME's need for, and access to, infrastructure, finance, technical labour training, and security (for some HMEs, these systems may provide market opportunities), as well as on its interaction not only with groups in the "high-level" political settlement (PS), as described in Kelsall et al. (2021: Section 2), but also, and more importantly in the short-term, with actors in "everyday politics" (as outlined in Paller, 2019).

Women in Informal Employment Globalizing and Organizing (WIEGO) provide a useful starting point on economic sectors, even though they focus on informal employment rather than informal enterprises. They focus on four groups of workers – home-based workers, street vendors, waste-pickers and domestic workers – and separately divide informal workers into those who work in public spaces (vendors, waste-pickers and transport workers), those who work in private spaces (their own homes or those of others), and an "other" category including those who work elsewhere (WIEGO, nd). Adapting their list and drawing also on the ISIC[5] list of economic sectors used for official statistics in many countries, we can formulate the following HME sectoral list:

1. Small-scale manufacturing, working from their own homes or in public workspaces in districts or neighbourhoods:
    - Construction materials (bricks, concrete blocks), metal or wood home-fittings (such as gates, burglar guards, doors or window frames) or furniture, or
    - Assembling clothes, shoes or small electronic items, either as independent producers or as outsourcers for large firm contractors using components supplied by the latter.
2. Infrastructure and financial services, operating on the streets in and between neighbourhoods and districts:
    - Transport workers operating motorcycles, three-wheelers or handcarts, or queue-managers at formal transport stops, or
    - Portable water or energy deliverers, using hand- or pedal-powered carts or selling fuel (charcoal, wood) from a fixed location, or

[5] International Standard Industrial Classification of All Economic Activities (ISIC).

- "Last mile" providers to final consumers of financial or communications services from originating corporates.

3. Waste-pickers and recyclers, operating on the street in neighbourhoods (informal settlements or middle class) or districts, collecting solid waste (plastic, glass, and so on) for transport to dumps or recycling depots.
4. Construction workers doing home renovations and repairs, or new construction.
5. Traders operating in marketplaces or on the street, sometimes inside or outside the owner's house, selling:
    - Fresh produce (fruit and vegetables, eggs, meat, fish),[6] or
    - Prepared foods, cooked at home or in marketplaces, or
    - Manufactured food, household and personal care products.
6. Service providers working from home or in markets, providing:
    - Personal services, such as hairdressing, childcare, tailoring or cobbling, or
    - Entertainment, such as shebeens, restaurants, music, cinema/TV, or
    - Household and machine services, including repairs and maintenance for homes and household services, or for motor vehicles, bicycles and small household appliances, or
    - Rooms for long- or short-term rental.

This list leaves out informally employed workers, such as contract workers in formal hospitality (restaurants, hotels) or in cleaning and security in commercial buildings, product assembly workers operating in sweatshops, and domestic workers in employers' homes. However, we can perhaps include as HMEs people using high-tech applications to seek work, such as those doing domestic work through "gig economy" apps such as SweepSouth or MyDomestic, or people using high-tech processes to do home-based service work, such as offsite data processing for formal enterprises.

HMEs operating in all of the sectors listed above were found in all five NDED cities, but aggregate data on HME (or informal sector) sectoral distribution in African cities is very scarce. There is limited data for Accra and Nairobi. In Accra, according to WIEGO, home-based workers in manufacturing and services (items 1 and 6 above) accounted for 48.3% of the total of 870,000 HMEs (own-account workers)[7] while traders (5) accounted for 50.6%, of which 92% were market traders and only 8% street vendors. Waste-pickers accounted for the remaining 1% (Baah-Boateng and Vanek, 2020).[8] In their 2004 survey of 1,755 households in Nairobi, Gulyani and Talukdar (2010: Table 2) found 534 households operating a single HME.[9] Using their own product-focused

[6] Usually purchased but sometimes grown by the HME itself, that is, urban or peri-urban agriculture.
[7] These figures come from combining Tables 3 and 5 in Baah-Boateng and Vanek (2020), omitting domestic workers (who are informally employed rather than HMEs).
[8] Infrastructure and construction workers were not counted, while 19,000 domestic workers were included in Baah-Boateng and Vanek's (2020) total of 889,000 but are excluded here.
[9] Sixty-two households had two or more enterprises.

sectoral breakdown, 48% were selling prepared or fresh food and/or beverages, 24% were selling, making or repairing clothes or shoes, 8% were kiosks selling household goods or water, 8% maintained (or made) household furniture, appliances or vehicles and 8% provided personal services.

3.2. Spaces

The title for the domain – neighbourhood and district economic development (NDED) – refers to the spatial locations of the HMEs within cities, as well as to their collective economic development. The owner-operators invariably live in slums or informal settlements, which we refer to as “neighbourhoods”, residential spaces for low-income people which are also crucial economic spaces for many residents. These include HMEs operating from their home or from other locations within their residential neighbourhood. Many neighbourhood residents may work outside the neighbourhood but will purchase many consumer goods and services from HMEs within it. Some HMEs operate largely outside the neighbourhood where their owner lives: in Nairobi, for example, only about half of HMEs sold their output entirely within their own neighbourhood (Gulyani and Talukdar, 2010: 1,713). These HMEs may operate in areas we called “districts” in the NDED work, by which we mean spaces of economic and commercial activity with few or no residents, but with the operations of larger firms (both formal and informal) as well as HMEs. The houses of small-scale manufacturers and service providers are often also their primary work locations, but other HME owners may use their homes for some business activities. For example, traders may process products in their house – cooking food, repackaging household groceries – even if their sales are in a market or on the street, or infrastructure providers and waste-pickers may use their house for storage and security of equipment.

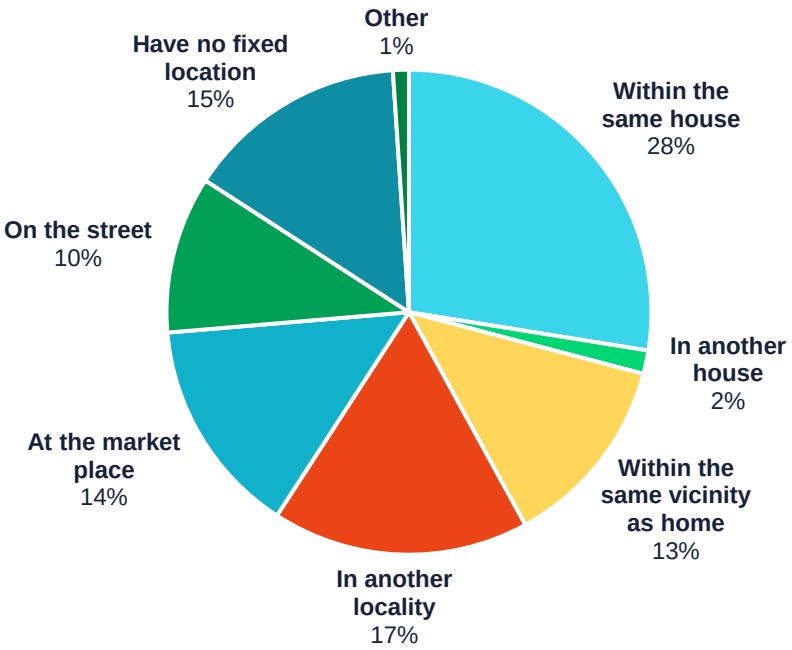
By differentiating between neighbourhoods and districts, we bring a spatial dimension into the analysis, allowing for differentiated access to infrastructure provision, input and product market competition, and to governance arrangements. We also need to consider historical processes, as the differences amongst neighbourhoods and districts are often the result of different histories. In the five cities where we focused – Accra, Lagos, Dar es Salaam, Lilongwe and Harare – the local city-based researcher and I selected two different neighbourhoods, one a longer-established area close to the centre of the city and the other a newer area closer to the city’s periphery, housing more recent in-migrants to the city, and one district where larger businesses (and their workers) operate as well as HMEs. Table 1 below outlines these for each of our cities.

Table 1: Neighbourhoods and districts covered in NDED cities

City	Neighbourhood 1 Near centre	Neighbourhood 2 Periphery	District
Accra	Makola	Nima	Antikoko
Lagos	Surulere	Ikorodo	Lagos Island
Dar es Salaam	Ilala/Kariakoo	Temeke	Kinondoni
Lilongwe	Mchesi	Area 23	Kanengo
Harare	Mbare	Highfield	Glen View 8

The pie chart in Figure 2 (taken from the Accra city domain report but based on official data from Ghana's national statistical agency) is included here simply for illustrative purposes, to indicate the spatial dispersion of HMEs in GAMA (Greater Accra Metropolitan Area). It shows that over a quarter of HMEs are located in the owner's house, and about an eighth in "the same vicinity" – in other words, at least two-fifths are in the owner's neighbourhood. About one-sixth each of HMEs are in marketplaces and other localities, and 25% are mobile: on the street or with no fixed location.

Figure 2: Locations of microenterprises in Accra



Source: Domfe (2023), based on Ghana Statistical Service (2018), Ghana Living Standards Survey (GLSS Rounds 7), which refers to non-farm microenterprises.

4. Research method

The “field research” done in the NDED domain was seriously constrained by money and time, and was *not* intended to be a quantitative survey, representative of some defined population of HMEs, or even to be systematic qualitative research. The city-based researchers were asked to carry out about 45-50 semi-structured face-to-face interviews with HME owner-operators, about 15 in each of the three defined areas. These would necessarily happen during the workday, meaning that the respondents (who mostly work alone) would most often be busy working, even while engaging with the interviewer. The domain lead drafted a guide questionnaire for the city-based researchers to use in their interviews without expecting that every aspect covered in the guide would be covered. It is also worth noting that of the local city-based researchers, although they were all experienced researchers, only two had actually done research on microenterprises before, and those two had not looked at them as firms, as outlined above.

In addition to covering the market relationships – production, inputs, sales, finance, infrastructure – of the HMEs, we were also interested in developing a small historical narrative of the evolution of individual HMEs, together with some understanding of the owner’s life history – in other words, an informal ethnography of the HME we were speaking to, but often also knowledge of a wide set of HMEs in the area or sector, which are invaluable in understanding the local economy (Tendler, 2002). Many of the HMEs we talked to had been operating for a long time, ten or 20 years for the firm itself, or for its cluster – for example, construction timber in Area 25, Lilongwe, or furniture manufacturers in Glen View 8, Harare or in Keko/Ilala, Dar es Salaam, all discussed below. Getting a historical perspective on the firm and its broader market and governance contexts over that length of time is potentially enormously useful.

The interview guide covered the HME owner-operator’s own personal education and work history, including entrepreneurial experience prior to starting the HME; a brief history of the HME itself, its spatial location(s), its formal registration, the role of the owner’s home in the enterprise, their tenure status; other workers in the enterprise; the profitability of the enterprise and its impact on family income, the enterprise’s financial status and accounting methods; the enterprise’s value chain – the composition and location of the main suppliers, customers and competition, including the HME’s bargaining power in both input and product markets; the enterprise’s infrastructure needs, access and costs, covering transport, energy, water, communications, security and finance; the impact of gender on the enterprise; the impact on the HME of formal and informal governance and taxation arrangements; and the owner’s information and business networks, including their membership of associations.

We knew that the list of questions in the guide was too long for a short 45-60-minute interview with respondents who would be busy, and we knew also that the small number of HME respondents per city (45-50 HMEs), meant that a database of responses would be both too small and too narrow for statistical analysis. The guide merely aimed to identify a set of issues to steer the discussion between researcher and

respondent, rather than produce precise quantitative or qualitative data. Each researcher addressed the issues in which they themselves were interested, while also following respondents' answers, which were often about their peers as well as themselves. The idea was to use the interviews, as well as public literature (academic and grey), interviews with key local informants, and the experience of the researcher, to develop a broad sense of major constraints and opportunities facing the HMEs in each city, and their interactions and interdependencies. We did not suggest that we are providing (or can provide) a definitive picture of HMEs, whether across all the cities, in each city independently, or even within the areas where we worked.

The primary goal of the city-based researchers came to be the identification of a "priority complex problem", as defined by ACRC – that is, not a menu of policy issues, but rather a focused approach to policy looking at "a *process* preventing poverty reduction and/or economic development and/or exacerbating the climate emergency, specifically related to political economy and associated political relations, and to system failures, particularly lack of system integration."[10] This paper, not examining a particular city, has a different goal, which is to look more closely at how to think about the NDED domain – that is, about how to overcome an excessive focus on sectoral or systemic thinking and take account of wider relations beyond those narrow boundaries. In the next section, Section 5, we define what is meant by "progress" for HMEs in this domain. Then, in Section 6, we outline a detailed framework for thinking about the HME as a firm, using as far as possible examples and references from the five cities covered, including the NDED research. The framework addresses six elements of HME activities, and the main point is that *all six* need to be thought about in relation to policy, rather than simply identifying a "magic bullet" or two, as so many policy approaches do.

5. Key ideas in the domain

This section looks at problem definitions, paradigmatic ideas and policy approaches in the domain. We start by considering what is meant by "progress" in the domain. One way into the discussion is to go back to the origins of the label "informal sector". Even if we recognise that it is time to move past that category, and even if a vast amount of literature on the informal sector has been produced in the 50 or so years since it was introduced, it is useful to go back to the start to understand the label's original purpose, and the meanings and nuances of the person who first used it. It was initially introduced by Keith Hart (1973), whose analysis starts by distinguishing "income opportunities" between wage-earning employment and self-employment, reflecting a distinction between regularised and unregularised economic activity. This distinction is based on "the degree of rationalisation of work – that is to say, whether or not labour is recruited on a permanent and regular basis for fixed rewards. Most enterprises run with some measure of bureaucracy are amenable to *enumeration* by surveys", and he counterposed those enterprises to the "low-productivity urban sector ... or the urban traditional sector", where activities were unregulated (Hart, 1973: 68, emphasis added).

[10] ACRC memo, 12 October 2022.

In other words, in the modern or formal sector, activities were “stabilised”, work was “regular” and “rational”, and produced regular, secure incomes – sufficient, stable and predictable – for those working. In contrast, self-employment was unregularised and unstable, by definition not “regular” or “rational”, and the sector was pre-modern or informal. Work and production were “low-productivity” – that is, less efficient – and markets were “traditional” – that is, disordered and unstable.

We have here two somewhat distinct understandings of the term “regularisation”: on one hand, “order”, meaning stabilised activities with predictable outcomes and, on the other hand, “modernisation”, meaning greater productivity and efficiency leading to improved returns. This is a very important and useful distinction. Note that “order” suggests a qualitative perspective, while “modernisation” leans more to the quantitative. These alternative understandings – order versus modernisation – have shaped policy approaches towards the informal sector since the 1970s, where the common focus has been on *regulating* the sector’s activities, but as we discuss below in the context of Table 2, these alternative understandings help to shape policy as state-focused or market-focused. It is essential to recognise that *regulation* is not quite the same as *regularisation* in the sense used in Hart (1973). In the 1973 paper, Hart does not mention the state, but in his later 2006 paper, following the massive analytical and policy uptake of the idea of “formalising the informal sector”, he distinguishes between

> “self-employed earnings and wage employment, based on the degree of rationalization of working conditions … the ability to stabilize economic activity within a bureaucratic form made returns more calculable and regular for the workers as well as their bosses. *That stability was in turn guaranteed by the state’s laws*” (Hart, 2006: 25, emphasis added).

As Chen et al. (2020: 262) have noted, notwithstanding the uptake of the term *formalisation*, there is no consensus on what should be formalised: is it the enterprise itself (its legal status or tax status), or is it work and employment (the labour market), or access to credit (the financial market), or the product market (regulation of competition), or urban market spaces (spatial regulation), or participants’ long-term welfare (the social protection system)? Or is it all of these? The point is that most analysis and policy tends to focus on one of these, or at least to start with one of these (as we suggest below in Section 6), and suggest, without clearly specifying the route, that after starting by addressing one factor, there will be some route to connect to the others. But what we need to know is: how do we prioritise and systematise amongst these different objectives?

In his 2006 paper, Hart criticised economists for focusing on informality only “in quantitative terms as a [separate] sector of small-scale, low-productivity, low-income activities without the benefit of advanced machines, whereas [he had] stressed the reliability of income streams, [and] the presence or absence of bureaucratic form” (Hart, 2006: 26). Nonetheless, Ravi Kanbur, an economist, focuses explicitly on the quantitative aspect rather than the qualitative – that is, on productivity rather than on

stabilisation, arguing that one key to effective policymaking for the informal sector is "to set objectives such as efficiency and equity that transcend informality, so that informality becomes at best an intermediate indicator" (2017: 952). He argues that

> "the [formalisation as regulation] debate … misses the reality of the lives of those who earn their living from outside the domain in which the regulation bites ... Raising the productivity of these enterprises and the incomes of those working in it [sic] merits as much attention as the more vocal debates on regulation and deregulation."

In other words, for Kanbur, the policy aim is raising individual HMEs' low productivity and incomes – not easily separated into profits and wages for owner-operator and any workers – which are at best precarious for most HMEs, and often inadequate to escape poverty.

Hart did not look at the institutional form of self-employment – that is, the enterprise or firm used by the self-employed. Kanbur emphasises the importance of disaggregating HMEs for more effective research and policy conclusions, rather than seeing all HMEs as a homogeneous "undifferentiated lump" (2017: 953), distinguished from other, larger firms only by their informal status and implicitly by the size of their labour force. We have already referred to sectoral, spatial and gender differences amongst HMEs, and we will later distinguish them also based on their owners' personal characteristics and motivations, which underpins the opportunity–necessity, or push–pull, distinction amongst entrepreneurs.

A corollary of the above is that ex post macro-level measures of progress, such as higher incomes per capita in a city, or lower poverty or inequality ratios, are likely to be of limited value in understanding "progress" – that is, in examining whether and how policies might (or might not) actually have made a difference to specific groups of HMEs. Even standard broad-brush policies will have differential relative impacts. Instead we need to look at the micro-level, disaggregated individual HMEs and at the meso-level, at clusters and groups of HMEs, both in the same sector and in the same spatial location, to understand the distribution of winners and losers from policies.

For individual firms, success will mean secure – regular, fixed and permanent – incomes, which will be linked to higher HME productivity and regularised, stable activities, expressed in part in what Hart called "a bureaucratic form" – that is, able to be systematically documented. As we discuss later, this is important in the distinction between opportunity and necessity entrepreneurs. It is also important to take account of whether activities and associated incomes are sustainable over time, which requires not only ongoing productivity increases but also greater resilience in response to shocks, both for a particular enterprise, and across sectors and spaces in the domain, due to external factors such as changed exogenous prices (for example, inflation due to bad crop yields or higher oil prices).[11]

[11] Resilience refers to the capacity to absorb, adapt or transform activities in response to shocks. Greater absorption means lower vulnerability to unexpected change through increased stocks of resources (increased wealth), greater adaptation enables effective short-term

For HMEs in the same cluster or spatial location, success will mean the presence of a stable organisation (or organisations) with codified (if not necessarily *written*) rules about the organisation's mandates, and the rights and obligations of its members. The mandates should include linking the organisation, and its members, with relevant agencies within the formal state (national and local), the capital and labour markets, and suppliers of relevant productive inputs and infrastructure, as well as supporting members' access to social welfare services.

Low productivity and disorder (the opposite of "order" in Hart's sense: stabilised activities with predictable outcomes) result from a number of different factors, which both individually and through their interaction, create a "vicious circle" of poverty, or a poverty trap. These factors – each linked to a cell in Table 2, and discussed at length in Section 6 – include:

A. The low scale of factors of production, both labour, which include technical and business/entrepreneurial skills, and physical capital, as well as the difficulties of access to financial institutions for loans to raise these. Start-up capital for HMEs in Lagos was estimated at N50,000 (about USD140) in 2017 (Anudu, 2021a, citing SMEDAN/NBS, 2019).
B. Overcrowded physical neighbourhoods and internally disconnected cities with inadequate and unreliable physical infrastructure systems, adding to financial costs and time to access transport (to obtain inputs or to sell products), energy, water and sanitation services, and security risks (of persons, property and physical tenure).
C. Limited bargaining power, both in input markets, where HMEs must source from larger, often formal, businesses, and in customer markets where effective demand is constrained by low incomes of consumers, entry barriers are often very low, and product differentiation is often limited, so that competition is high.
D. Poor governance institutions, resulting from the state's inadequate monopoly of legal violence, leading to irregular charges imposed by unofficial powerholders (and often official powerholders acting unofficially – that is, for their personal account).
E. Limited political "voice" because of difficulties in organising HMEs for collective action.
F. Limited legal protection of property rights, due not only to lack of formalisation in regard to business incorporation and tax registration, but also to the cost of effective protection.

Several of these factors are not part of the direct, or "factory-floor", costs of HME operations, but are outcomes of the business environment in which these and other firms operate, contributing to indirect costs which need to be considered as part of an overall perspective on firm-level productivity. These indirect costs include infrastructure services (energy, water, transport), security and other parts of what are usually considered "overhead" costs. A series of papers looking at larger, formal firms in Africa

responses to changes in circumstances, for example working longer hours, while greater transformation comes from long-term changes to existing practices or products. See OECD (2014).

show that these indirect costs need to be taken into account in productivity calculations because they raise total costs substantially, and impact on those firms' overall performance, and hence on broader economic development prospects in Africa (Eifert et al., 2006; Gelb et al., 2014; Gelb et al., 2017). We would argue that the same is true for much smaller, informal firms including HMEs, in Africa or elsewhere, as all the indirect costs mentioned, as well as others such as interest costs and "rent" or market access charges (both formal and informal), probably constitute a much higher percentage of total costs than in formal firms. This is even more likely if costs are measured not just in money terms but also in time. Accessing these services by microenterprises is often difficult and always time-consuming, but must be managed by the owner-operator (even if a firm has other workers), so, given there are only 24 hours in a day, time spent managing access inevitably means less time available for production and sales activities. These indirect cost factors impact in different ways on individual HMEs, depending on sector, city, specific spatial location within the city, as well as other issues such as gender and the owner-operator's own history, but all HMEs are affected by these issues. And it is important to think not just about the factors in isolation from each other, but also about their interaction, because, as we discuss below, how one challenge is solved, or not, for an HME will affect possible solutions to other challenges, including by impacting on the owner-operator's time costs.

6. HMEs as firms

This section of the paper discusses each of the six factors identified in Table 2 as affecting HME productivity, and their interaction. I look at each issue in general, while also reporting relevant observations from the domain research in one or more of the five NDED cities. The starting important point of this section, and indeed a critical argument of this paper as a whole, is to arrange these six issues in a framework, as laid out in Table 2, which will allow us to think more effectively both about each of the six individual challenges and policies to address them, and also about the interactions of the six challenges with each other. Much of the "informal sector" literature about HMEs, especially more conventional analyses, tends to focus on one or other of these challenges – especially those identified as A, B, C or D in Table 2 – without sufficiently focusing on the interaction amongst the factors which is shaped by the political economy underpinning HMEs in a city. Here we have brought in two further factors, E and F, which are little mentioned by much of the "informal sector" literature, and have organised all six factors in what is hopefully a coherent framework, which already helps with thinking about their interaction.

We start by explaining the structure of Table 2. The rows refer to different levels of aggregation of HMEs. The first row – labelled micro in column 1 – focuses on individual firms, looking at their "innate" or internal productivity (see column 2) examining the resources used in their internal operations. The third row – labelled macro – looks at the wider external issues shaped by the organisation of a city's political economy as a whole, which impacts on HMEs' overall profitability. The second row – meso – focuses

on the collective efforts of *groups of firms* to shape their "voice", or power, relative to other interests, which impact on that particular group's profitability. This meso level of aggregation is omitted from many analyses, especially those which are more conventional or orthodox (see Chen and Carré, 2020: 257 ff), but it is crucial to include it, as we show below, to recognise that different groups of HMEs face specific constraints and that those groups of HMEs need their own voice in policy debates. However, it is more useful to discuss the meso level after discussing the micro and macro levels, but it would not make sense to have the meso row in the table after the macro row. Hence the cells of the table do not follow alphabetical order from top left to bottom right.

The columns of Table 2 focus on institutional mechanisms and power to address the challenges of "regularising" HMEs, using the alternative meanings of the term discussed in the previous section. Column 3 of the table, titled "State-focused (centralised)", looks at regularisation as "order" – that is, policy actions towards HMEs taken by public powers, whether state agencies or private organisations, engaging in "centralised, institutionalised, territorialised regulation of social relations" (Mann, 1986). Column 4 of the table, titled "Market-focused (decentralised)", looks at regularisation as "modernisation", that is, decentralised, market-focused actions of agents.

We will discuss cells A through F in turn below. The value of putting them together in the table is to underline that, while much research, and much policy debate, focuses on one or another cell, arguing that addressing that particular cell is a magic bullet that will somehow "unlock" the informal sector, the table shows that in fact each cell captures only one part of HMEs' reality, and HMEs have to manage all six together. Thus all six cells need to be examined in empirical analyses or for policy recommendations, whether one is looking at a city as a whole, or at smaller groups of HMEs, in a sector, in a specific space, or grouped by other criteria. The cells in the table are ordered to allow the discussion below to move towards the two groupings of HMEs (cells E and F), but keeping the row headings (micro, meso, macro) in their logical order. As we will show, looking at one issue (that is, one cell) requires policy actions which link with other cells, across different levels of aggregation (rows) and different institutional mechanisms (columns). I would argue that putting Table 2 together and discussing it across the cells, as in this section, is the main purpose of this paper, as this suggests a methodology for research and policy analysis for HMEs, rather than aiming to develop a general, or even context-specific, set of HME policies.

Table 2: Approaches to HMEs as firms

	Focus on	**Regularisation as order –** state-focused (centralised)	**Regularisation as modernisation –** market-focused (decentralised)
Micro	Internal productivity of individual enterprise	A. Formalisation: legal/tax status	B. Production factor supply: capital, labour, entrepreneurship (opportunity vs necessity)
Meso	Political economy and voice of groups of firms	F. HME associations and organisations	E. Value chains and markets: formal/informal (vertical or horizontal) interactions, self-regulation of markets
Macro	Urban economic development	C. Hybrid political governance: political settlement, everyday politics	D. Space and agglomeration: spatial density and proximity, congestion

Source: Author

A. Formalisation

We use formalisation here to refer to the regulation of either or both of an enterprise's legal status or its tax status, through registration most often with the national government. In other words, it involves the codification of an individual enterprise within a state system, making the enterprise subject to state laws and rules, and also subject to formal state taxation. The conventional view is that enterprises "choose" informality and avoid registration, though explanations differ over why this is so. One group argues that individual enterprises face too much regulation, and are restricted by labour market requirements, bureaucratic red tape or an excessive tax burden. As a result, the argument goes, these firms *choose* informality, which at a macro level lowers tax revenues and may also disadvantage formal firms in the competitive process. A second group within the conventional view argue that enterprises choose informality because they face too little regulation, especially around spatial location and employment processes, leading to inefficient land use as well as congestion, with spillovers to health and crime. They argue that informal firms are less productive than formal, and so limit both state revenue and economic growth, while also not reducing poverty.[12]

The common conventional solution is "business environment reform": the state should make it easier for individual firms to formalise, by simplifying business registration processes and lowering their cost. Note that the focus here is on the relationship between the state and *individual* enterprises, and also that "regulation" here, meaning legal and/or tax formalisation, is *not* the same as regularisation, meaning either "order" or "modernisation", as discussed in the previous section – there is in fact no certainty that formalisation will result in regularisation, although much research and policy analysis implicitly assumes it will.

[12] For more conventional approaches, see Williams (2023, 2017); and RNSF (2018).

The process of streamlining registration is relatively easy, but it is also not clear that an easier process will encourage enterprises to actually register. Business environment reform generally does not work well in African cities, because very few HMEs register and the state does not have an effective policing mechanism to ensure compliance, especially at the local level. In many cities, both bureaucrats and uniformed police use their official positions to extort funds from HMEs and other businesses and residents. In addition, national government's policy approach on formalisation often shifts, as a new president is elected and introduces a "new" approach to this problem (and others) as a way to distinguish themselves rhetorically from their immediate predecessor. This has happened repeatedly since the 1990s in both Tanzania (Msoka, 2024; Nyamsenda and Collord, 2023) and Malawi (Chitika, 2023). For example, President Jakaya Kikwete (2005-2015) implemented a street trader clearance exercise, pushing HMEs off the streets, bus stops and open spaces, and removing kiosks in front of formal stores in the city centre and Kariakoo. However, his successor, John Magufuli, introduced *Wamachinga* identity card strategy for all traders with turnover below TZS4,000,000 (about USD1,600) in December 2018. The ID cards cost TZS20,000 (about USD8) per year (TZS1,666 per month, or USD0.70), paid to the national government, and superseded the levies previously collected by the local government. Many street trader HMEs responded positively, seeing the ID process as protecting them from harassment and additional formal or informal charges (George et al., 2022). But after Magafuli's unexpected death in 2021, the new President, Samia Suluhu Hassan, reverted to a version of Kikwete's approach, arguing for formalisation of street traders, with the 2022/23 national budget including measures to restrict street trader mobility and funding to locate them in well-organised markets with improved infrastructure (Msoka, 2024; FSD, 2024).

The 2012 FinScope MSME Survey in Harare estimates that 85% of all micro, small and medium enterprises (MSMEs) were not registered or licensed. Of the 15% that were registered or licensed (that is, formalised), over two-thirds were licensed with a local authority, 17% with the Registrar of Companies, 6% with the Registrar of Cooperatives, 7% with other authorities, and only 2% were registered with Zimbabwe Revenue Authority (Pasirayi, 2022). By contrast, in Accra, HME owners are registered for tax, in that all individuals have a personal identification number, which from April 2021 also served as a tax identification number (TIN) and was linked to a digital address scheme for all residents, implemented by the government at that time. The ID number of an HME owner therefore serves as the de facto tax number for the HME too, given that there is no legal separation between the individual and their HME, and the enterprise was taxed according to personal tax rates. In Accra, most individual HME owners – barring the smallest, such as roadside vegetable sellers – also make once-a-year digital payments to local government, using mobile money, which limits low-level corruption in the form of pocketed cash payments and supports more effective government use of funds raised, while also providing HMEs with a clear record of payments. This seems a fairly effective registration measure but implementation may rest on relatively agreeable relations between state and citizen. Many HMEs in Accra

also have water and electricity accounts (Domfe, 2023). An attempt in Harare to link SMEs to residential addresses of their owners has not worked as well.

States are also urged to remove burdensome regulations – deciding which ones to keep is not easy – and to restrict opportunities for informal enterprises to set up informal markets, by relocating or evicting them. The positive effect of these actions for the state is, it is argued, likely to be higher tax revenues, which could help pay for public investments, including formal market development and slum upgrading, while for individual enterprises, registration is supposed to lead to better opportunities to expand access to factor supplies, both credit and labour skills, which will in turn enhance productivity, it is argued. However, often not considered are the *actual* benefits to the state, that is, the revenue which is likely to be collected, since collection is costly and most often partly ineffective. In Dar es Salaam, the local government constructed the Machinga complex (Dar es Salaam Business Park) in 2007 to accommodate 4,200 entrepreneurs. It was largely a dead space for at least five years, as HME traders were not keen to move there, since their customers had no reason to go to the complex. Its lower two floors are now largely filled, though the upper floors remain mostly empty.

In addition, the costs of formalisation for the broader population may not be considered, one of which is the “last mile” or consumption risk: goods and services provided affordably to poor consumers by HMEs may no longer be available, at least in appropriate quantities and prices, once many HMEs are forced to become formalised or to disappear, affecting consumption levels for many people, with possible impacts on health, education and other social goods, and possibly also on political expression.

Taxation payments can be steep for HMEs, though. In Harare, income tax amounts to 30% on (presumptive) income for many HMEs, as well as 15% value-added tax (VAT) and since 2019 a 2% on mobile money turnover (Omoegun and Gelb, 2023). Tax revenues from the informal sector are important for most national governments in Africa, where a large share of the urban population earn and spend incomes informally. The head of the Harare local government’s SMEs Committee commented to NDED researchers that the local authority (controlled by the national opposition party) needs to raise taxes directly from HMEs, because it is very constrained in accessing national government revenue raised through income taxes and VAT. The political split between Zimbabwe’s two main parties means that the ruling party at national level, ZANU-PF, limits state funds going to local authorities controlled by the opposition, as in Harare, which are therefore financially constrained. In Lilongwe, the local SDI affiliate suggested that only 20% of HMEs pay rates, but in aggregate, rates total 50% of local government revenue. So even raising the share of HME taxpayers to 50% would lead to significant expansion of local government revenues. One reason local governments want to “herd” HMEs into formalised market spaces is that they can be more easily charged rents and local rates.

Much informal sector literature tends to see the archetype informal enterprise as a small but nonetheless well-established business, with some elements of stability in relation to employment, product composition, spatial location and hours of operation,

and input and output markets, even if these are not bureaucratically validated, in Hart's terminology, that is, recorded and amenable to enumeration. A more critical view of informal enterprise is that of WIEGO, which starts from microenterprises as the archetype.[13] They argue that enterprises, and their owner-operators and workers, are outside of state registration and the tax net, but *also* outside of welfare support and policy systems. For them, informality is not a choice but a consequence of policy neglect at best, government suppression at worst. People have no option but to start HMEs, even if they do not provide a sustainable livelihood (as our discussion of cell B below suggests on necessity entrepreneurship). HMEs are also subject to informal regulation, as gangs or political actors acting unofficially extract economic rents from HMEs, as we discuss below in looking at "everyday politics" in the context of hybrid governance, cell C of Table 2. We agree with WIEGO's critical view of standard policy:

> "the most common policy response to both old and new forms of informal employment is a call to formalise them. But there is limited understanding by policy-makers themselves of what type of formalisation they are calling for: do they want to shift all informal workers to formal jobs, to regulate and tax informal enterprises, to extend social protection to all informal workers or something else? And there is even less understanding of what informal workers want and need in the name of formalisation" (Chen et al, 2020: 262).

In this more critical approach, the preferred solution is to open up the policy process to greater participation by HME organisations, a process we discuss below in the sub-section on Cell F on HME associations. In particular, WIEGO argues that registration should be used as a carrot as well as a stick – that is, it should provide some direct benefits to HMEs' livelihoods in return for requiring registration and the taxes or other charges it imposes, through provision of subsidies, market spaces, public infrastructure services or social protection to enhance security (income, health or physical). They also recommend linking formalisation policy more strongly with non-economic issues, particularly housing quality and tenure security (which are important for HME performance). And WIEGO argues, as we have above, for enriching policy by differentiating amongst sectors and activities – improving HME performance and poverty impacts is not simply about an entrepreneur following "best practice".

It is worth noting here too that many HMEs are involved in forms of codification and registration which do not involve the state, but rather are undertaken by formal private enterprise, such as banks and mobile phone companies, by microfinance organisations, or by voluntary "clubs", such as membership associations or ROSCA[14] groups. There is implicit codification in many informal regulatory activities, such as of the market queens in Accra, who are selected using long-standing traditional authority processes and underpin self-regulating markets (Brown et al., 2010). In many other HME markets, such as those managing entry and passenger queues at motor cycle taxi or bus depots in Harare or Dar es Salaam, or the highly localised clusters focusing

[13] See Chen and Carré (2020).
[14] Rotating savings and credit association.

on one product in single passages in the Machinga Complex, Dar es Salaam, or HMEs adhering to a set of conventions on competition (cooperating on price setting and on stocks, when customers want more rice than one trader can supply) at a rice milling market in Mchesi, Lilongwe, there is non-state partial codification of a process which offers HMEs some benefits as well as some costs, as NDED researchers' papers discuss. In these situations, individual HMEs, or a collectively selected committee, become legitimised as regulators, moral codes are well understood and inter-enterprise processes exist, combining cooperation and competition. These open the path towards indirect formalisation, to which we return in our discussion below of cell F, Table 2. Even in activities often regarded as criminal, such as the *agbero* protection gangs extorting funds from commercial minibus-taxi operators in Lagos, or the usurious neighbourhood loan sharks, or the *hawala*[15] forex traders in informal financial transactions, there are very often informal regulatory conventions on entry and pricing shaping the market, and adhered to on both the supply and the demand side, as we will see in our discussion below of "market queens", is also true in many fresh produce markets.

B. Factor supply

The standard labour market function used in economic theory has two factors – labour and capital – with a third – entrepreneurship – sometimes also identified. The latter refers to managerial and organisational skills, but also reflects willingness to identify opportunities and take risks. The starting point in looking at factor supplies is that HMEs' ability to expand their use of factors of production – labour in both quantity and quality terms, and capital, both financial and physical – is limited by their low incomes and access to the markets for these factors, which impacts on their scale of production and, through scale, on their competitiveness. This issue of factor supply is identified here as market-focused because it is decentralised: factor supply, and policy to address it, involves a range of actors, both private and public, while factor demand emerges from individual HMEs.

Expanding the scale of HMEs requires upgrading of both capital (more, and more productive, machinery) and labour (skill improvement via training). In addressing this, interdependencies between the factors are not always considered. Each factor is usually treated as independent from the others, operating in a different market, with analysts or policymakers treating one or the other market as the "binding" constraint. A conventional production factor approach is often used to discuss and analyse informal enterprises,[16] but for several reasons does not always fit well. "Own account" workers are *neither* entrepreneurs nor workers in any simple sense, and an HME's capital is not legally or economically distinct from the household and its members. We have already mentioned the need when thinking about productivity to take account of indirect costs

[15] *Hawala* is a system of cross-country networks for transferring money using informal brokers, which avoids the need for physical cash transfers. Because it is informal, transfers are not recorded in formal financial institutions or in national accounts.
[16] See, as one example of many, Amaral and Quintin (2006).

(for infrastructure, market access and so on) as well as direct production activities, and these impact differently on larger businesses and on microenterprises. As mentioned already, housing quality (infrastructure linkages, land and occupation tenure, physical security) may impact on output for many HMEs, and should be included in indirect costs.

It is also not often recognised that in all societies, time is also a critical constraint for entrepreneurs in HMEs or other micro and small enterprises, because all overhead costs take time as well as money: the longer it takes to obtain production inputs due to transport difficulties, or to address short-term failures in access to electricity or water, or complete official tax or other bureaucratic requirements, the less time an entrepreneur has for direct production and sales – that is, to earn income. Many women HME entrepreneurs have family responsibilities and domestic chores in addition to their HME work, so time may be an even greater constraint. As already noted, over and above these microeconomic issues, is the major macro factor that African industrialisation has not followed the successful structural transformation pattern followed by other regions, requiring a structural transformation domain for ACRC, but also affecting microenterprises.

Notwithstanding the above, it is worth looking in turn at HMEs' access to financial capital and to labour, both technical skills and entrepreneurial or business skills. We start with a brief look at technical labour skills, which young workers most often acquire via employment with older, more experienced operators. These may be HME operators in their own family, or small (as opposed to micro) informal enterprises providing skilled services, such as construction and building maintenance, machine or vehicle maintenance (cars, motorbikes, bicycles), carpentry, tailoring, hairdressing, catering or childcare. In this informal apprenticeship system, there are usually no formal assessment or certification systems. In addition, the "masters" may be highly experienced technically, but often have only basic business or managerial skills to pass on. Technical or skilled labour training is not commonly provided by NGOs, and it is usually difficult for young informal workers to access state-operated vocational institutions. These informal systems reinforce existing gender biases: overall, more men than women are likely to receive this apprenticeship training, while specific skill biases are encouraged – young men into construction or vehicle maintenance, young women into catering or childcare. There is an opportunity cost for all young workers to undertake training of this sort, in that it takes time away from other business activities, so household income may be lowered in the short term. For young women, there is an additional time cost, as they most often have to continue their domestic and household duties.

Turning to access to capital, most urban HMEs are "financially included", in the sense that many have mobile money accounts, and in some cities – Lagos and Accra – they do have access to transaction accounts in formal banks. In Lagos, many HMEs were brought into the formal financial system as a result of the cash crunch linked to the naira re-design in late 2022 (Monye, 2024). In Harare, by contrast, macro financial

instability, manifested by the use of dual currencies, the Zimdollar and the US dollar, at retail level, means that the banks are less welcoming of HME accounts, but at the same time, HMEs do not trust the banks and are reluctant to use them (HME informant interviews).

But even those with bank accounts are substantially excluded from the formal financial system. Bank accounts often have high fees for deposits and withdrawals, which together with travel time to branches and long queues mean that HMEs do not regularly use their accounts, even if they have them. Mobile money transactions are seen as a convenient and cheap source of taxes by revenue-starved national governments, and are now used in Zimbabwe, Ghana and Tanzania, amongst other countries. Governments receive the funds directly from mobile phone companies, who charge accountholders directly, and many government agents (politicians and bureaucrats) see this is a means to make up what they view as a tax "shortfall" from HMEs and poor consumers. Most HMEs will use mobile money accounts to purchase their inputs, if those come from formal businesses, but far fewer will be able to use them for sales to local customers in their neighbourhoods, as this adds fees and, in many countries, also VAT charges.

Access to transaction accounts is of course important for HMEs, but still leaves them unable to save or to obtain credit (Gulyani and Talukdar, 2010). Their financial exclusion goes beyond a lack of funds for investment in additional equipment: a major problem for many HMEs is access to working capital, to pay for production inputs and to enable household and business spending at times of low turnover. Most suppliers will give no or limited credit, according to our interviews with HMEs across the different NDED cities. To access loans from banks, potential borrowers need written financial accounts covering past performance, a business plan showing future cash projections, and a credit record. Most HMEs will not have most of these documents, nor the business and management skills to develop a business plan and enterprise accounts, nor the funds to outsource the process. Nor do most HMEs have physical or financial assets to pledge as collateral. Most banks will also require them to be formally registered with both the government registration agency and the tax authority. However, when the Tanzanian government introduced its trader ID system in 2018, a major bank, CRDB (Co-operative and Rural Development Bank) created a TZS10 billion (USD3.8 million) fund for loans to traders with IDs, either individually or groups, to access cash from ATMs (from TZS10,000 to 500,000 (USD3.80 to 190.00) with a three-month term) to address daily working capital needs.[17] The Hodari account is available to all businesses, registered or unregistered, operating formally or informally, requires a minimum opening balance of TZS 5,000 (USD1.90), and has no minimum operating balance, no monthly maintenance fees and no withdrawal charges.[18] This

[17] See TanzaniaInvest (2020); and CRDB Group, Annual Reports 2020 (page 68) and 2021 (page 73). Available to download (accessed 17 April 2026).
[18] Opening an account requires a business licence, TIN and other relevant business documents for formal businesses, or a Machinga ID, current Soko letter ("soko" is the Swahili word for market: the letter allows its holder access to an organised market), or local business permit for

suggests that it is possible to financially include HMEs on a commercially profitable basis.

Government agencies intended to expand financial inclusion generally do not have a significant impact on HMEs. In Lagos from 2017 to 2023, the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) funded only 19 cooperative groups in its “one local government one product” programme (where 70% of the funds are loan and 30% grant). HMEs in Lagos complained that in addition to the documentary requirements, they have limited information on institutions which supply funds, including government agencies (Olusanya and Faniran, 2024). In Harare, the Small and Medium Enterprises Development Corporation (SMEDCO) has made perennial losses since 2010: between 2010 and 2018, it provided only 3,583 loans totalling USD10.924 million to MSMEs, about USD3,000 on average (cited in Pasirayi, 2022).

HMEs may also belong to semi-formal financial institutions which are registered but in many countries are unsupervised. These include SACCOs (saving and credit cooperative organisations), credit union, and microfinance organisations. These take deposits but are also able to borrow and so provide small loans, though interest rates are high. SACCOs mostly take members with a common background, for example, workers in a specific industry. But FINCOOP is a large SACCO in Malawi serving 60,000 members (SMEs, farmers, and salaried employees) across eight districts.[19] Members make a monthly deposit of K3,000 (USD1.75) into ordinary or fixed deposit accounts, can purchase insurance, and can take loans after three months, using any marketable asset as collateral. FINCOOP offers loan products – for payroll, investment in agriculture, individual businesses group businesses, green loans (to purchase solar energy panels) and WASH (sanitation) loans. In Tanzania, well-established MFIs borrow at around 18-20% per annum, while newer MFIs have to pay 30-35% per annum, and they charged about 5-6% per month to their borrowers. Under former president Magufuli, whose policies promoted HME rights generally, there was an attempt to register and supervise MFIs via the Bank of Tanzania, and to cap interest rates on their loans at 3.5% per month.

Many, probably most, HMEs also take loans from informal moneylenders, whose interest rates are even higher than SACCO-type institutions. In Lagos, informal bankers, trusted people in the community known as thrift collectors or *alajos,* move around the community to collect a pre-specified amount daily or weekly from individual HMEs, who can access their savings to buy goods if cashflow declines. At the end of the month, the *alajo* returns the amount saved to the HME, less a fee of one day’s contribution. The *alajo* also provides loans linked to the amount saved by the borrower and their past credit record.

informal businesses. Annual sales turnover should not exceed TZS250 million (about USD95,000) and loans are available up to a maximum of TZS50 million (about USD19,000).

[19] See www.fincoopmw.com.

Many, probably most, HMEs borrow money from family and friends, and will also belong to informal savings clubs, known in different countries as ROSCAs (rotating savings and credit associations), VSLAs (village savings and loan associations) or VICOBAs (village community banks). These circulate members' savings and make small loans from the weekly or monthly deposits collected, usually with collective monitoring. Though loans do carry some interest, other than that there is little or no injection of external capital, so total credit provision is very limited.

Financial literacy training is offered by many NGOs to ROSCA members and by microfinance organisations to customers, covering issues such as savings, credit and investments, financial planning, the importance of trust and risk in financial activities, and non-bank financial products, such as insurance. There is wide support for starting financial literacy training much younger, within school education. But outside of very basic accounting techniques, financial literacy is not always effectively linked with entrepreneurial training, nor included in technical labour skills training programmes.

Many of the programmes to expand financial literacy, or financial inclusion through greater credit provision, have had limited success, for two main reasons. One is the focus on assisting *individual* enterprises through self-help and upgrading, often by improving land tenure security as a means to create collateral for access to credit (De Soto, 1989). As already implicit in our discussion of overhead or indirect costs, and which we take up further in looking at entrepreneurial ecosystems, the lack of complementary investments – which go beyond the individual enterprise and need to be taken up collectively in some way – is often the reason individual businesses hit obstacles restricting their upscaling. These complementary investments may include land use upgrading or expanding shared infrastructure, for energy, water, or logistics (transport and storage), used by HMEs in the same value chain. These could be implemented by the local state or by a lead firm in the value chain, though there may be political difficulties in mounting collective action – that is, addressing vested interests and "status quo bias". The second obstacle is that micro and small enterprises are all treated alike, whereas we would argue that there are important differences between them, not just in relation to sector, locality and gender, but also the distinct appetites for risk, and therefore appropriate credit products, between opportunity and necessity entrepreneurs.

Entrepreneurial training is a very popular policy intervention for donors and NGOs, as courses produce a visible output in the form of graduates, and training arguably contributes to outcomes being sustainable over time. Training may be classroom-based or mentorship-focused or both, but their timing may be inconvenient, or they may often cover many topics in a short time, limiting participants' absorption. Programmes often aim to provide the same skill levels to different classes of entrepreneurs, rather than differentiating them: for example, HME operators mostly do not need the same labour management training as owners or managers of small enterprises with larger, more stable workforces, while even amongst HMEs, there are different groups. Some training programmes do show small positive returns for sales

and profits, but these are not necessarily enough to enable HME growth (McKenzie, 2021). Furthermore, even where returns on a course are positive, the scaling-up question still needs to be resolved, as McKenzie notes. For example, Lagos has nearly 3.5 million HMEs, and they cannot all be trained by donor-funded programmes, or even, for that matter, by government programmes.

Entrepreneurial skills training usually distinguishes between so-called “soft skills”, such as personal initiative, willingness to take risks, identification of market opportunities, ability to learn from errors, and innovation to differentiate product or business advantages, on one hand, and on the other, the harder managerial and organisational skills for running a business, such as production planning, marketing, bookkeeping, labour management, financial accounting and planning (McKenzie, 2021). But as already noted, entrepreneurship training is often not well-connected with training programmes in financial literacy or in technical skills, and the informal sector literature largely overlooks the need to connect different policies and activities focusing on the same target group.

The lack of connectivity and coherence across business promotion training programmes, or indeed across skills development policy interventions more generally, underlines the need to focus on developing an ecosystem – that is, a group of interdependent and coordinated institutions, policies and organisations which share a common purpose and bring different stakeholders together, including state agencies, business associations and networks, and private and public service providers. The aim is to bridge the gap between social and private returns in training-related interventions. An ecosystem is coordinated by a driving/mobilising agency, which may be a state or a private sector institution. But when it is focused on a city, the natural catalyst is a local government department or agency. An entrepreneurial ecosystem has six domains: a conducive policy and regulatory framework (for credit provision, labour training, and state regulation); economic and physical market access, including infrastructure services; access to finance, both private and public, including incentives and subsidies; skills development, including the promotion of an entrepreneurial culture; business development supports, such as incubators and mentors; and promotion of innovation and technology (Isenberg, 2010).[20] Entrepreneurial ecosystems may help to address the issue of scaling up in improving HMEs’ profitability, by using enterprise associations to promote joint complementary investments, and specifically “big push” projects which could allow HMEs to benefit from agglomeration by sharing or through cluster-based value chain linkages with formal enterprises.

Yet it is important to carefully identify distinct target groups amongst small and microenterprise. Tendler (2002), drawing heavily on Latin American examples, underlines the risk of reducing all small informal firms to a single category, creating a universalist bias in policy, emphasising safety-net and burden-reducing measures and ignoring efficiency and productivity-enhancing measures to encourage some firms, or

[20] See also Hall and Lansbury (2006); OECD Skills Studies (2013); and Lightcastle Partners (2021), for a developing country example.

some clusters of firms, to grow. One causal factor is what she calls a “devil’s deal”, a trade between politicians and informal sector firms for the latter’s votes in exchange for a low bar on taxes, labour and other regulations – that is, measures discouraging formalisation, at least in practice. Nyamsenda and Collord (2023) describe a similar process in Dar es Salaam. Microenterprises are different from informal small businesses with a larger labour force, but even amongst microenterprises, there are distinct groups of owners with different entrepreneurial motivations, that is, different aspirations and needs, and approaches towards risk.

The entrepreneurship literature distinguishes between opportunity and necessity entrepreneurs, paralleling the distinction between informality as a choice or as a necessity in the informality literature.[21] Policies and training programmes also need to make this distinction: in fact, we need to think about different entrepreneurial ecosystems so that contents can be modified for the appropriate audience. What are the differences between the two groups of entrepreneurs? It is useful to start with some brief portraits of entrepreneurs we met in different NDED cities. In Dar es Salaam in January 2023, we talked to a woman entrepreneur who was a successful *wakala* (agent in Swahili), providing last-mile communications and financial services to consumers in a busy working-class neighbourhood. She offered bank deposits and withdrawals for four different banks, and phone packages and money transfer services for four mobile phone companies. She also used her mobile money account to supply bridging funds to other last-mile operators in other parts of Dar es Salaam and surrounding rural areas. She had been selling phone packages since 2012 and banking services since 2018. She operated from an outbuilding at her parents’ family home (where she had grown up), while her siblings used other parts of the property for restaurant, accommodation and car-wash businesses. In Keko, Dar es Salaam, a male entrepreneur (operating on his own) has run a furniture assembly value chain since 2000, contracting up to 15 other HMEs to construct four or five lounge suites a month, using patterns from a Chinese design book and self-sourcing fabrics. He also has a VAT certificate, so he is able to bid for government and large company jobs, and leases the certificate out to other furniture producers who do not have one.

In Area 23, a Lilongwe township, a TV/cinema operator, working with his son, has built a rudimentary cinema – concrete benches under a metal roof – seating up to 800 people in his backyard. He had been a rice marketer but was able to start the cinema business because his house had substantial land. He has a subscription to a South African satellite TV broadcaster, allowing him to show football matches from around the world as well as movies. Though there are other cinema operators in Area 23, he is the only one in his neighbourhood, giving him a considerable degree of market power. He has a generator, so he can continue screening during power outages, and raises his prices to cover that cost. In a different area of Lilongwe, there is a cluster of about 50 HMEs selling construction timber. They cooperate in transporting wood from the rural

[21] See Global Entrepreneurship Monitor (GEM) reports, online resource (accessed 17 April 2026); and Schoar (2010).

areas for resale to builders and homeowners in Lilongwe, but operate individually in the market. The wood merchant we spoke to has been running his HME since 1997, having previously been a day-labourer in a tobacco factory. His wife was a teacher, and earned a fixed salary, and together they also owned two general dealer stores. Finally, in Lilongwe, we talked to a young tailor, operating his HME from a booth in a market which he shared with another tailor. He was trained as a tailor in a vocational college, and operated a manual sewing machine. But he was saving for an electric machine, and his "vision" (he used this word) was to set up a tailoring training centre, because many people asked him to help them learn the trade.

These people are all opportunity entrepreneurs, and were identified as such after conversations with them about themselves and their HMEs. Their enterprises are different from the many necessity entrepreneurs whom we also saw, for example the women charcoal sellers (and their children) in Area 25, Lilongwe or the vegetable sellers in Mbare market, Harare or in Temeke, Dar es Salaam, or the water sellers moving five-litre bottles on hand-drawn carts in Harare. Many of the HMEs we spoke to were involved in a number of different productive activities, either sequentially or sometimes even simultaneously, reflecting the precariousness of the potential livelihood for them from focusing on only a single activity. This is archetypal necessity entrepreneurship. One characteristic difference between the two groups relates to personal characteristics, including their ability, age and formal education, and their past work experience, while another set of differences may be available resource levels, including family access to stable incomes and to wealth, and personal and family social capital networks. The two groups may also differ in attitudes towards risk, where opportunity entrepreneurs focus on upside risk – that is, potential benefits – while necessity entrepreneurs are more concerned with downside risk, or potential losses. There is a similar difference in attitudes to risk on the part of landowners and their tenants, the former recognising their potential rental income.

If we are to have different policies and programmes for the two groups of entrepreneurs, it is crucial to be able to identify them as part of one or the other group ex ante, that is, prior to their selection for exposure to policy and programmes. This will involve systematic analysis of individual enterprise information on four criteria:

1. **The history of the HME**: What does it produce? Is it long-standing or new? Has it remained in the same sector and location, or been mobile? Do they choose their location because it offers increased market size, or is the location choice aimed mostly to avoid fees and engagement with the authorities over licences? Does the enterprise innovate? How? Alone or in groups? Has diversification been sustainable – that is, involved moves into a stable sector and/or location? How have they responded to risk in the past? Do they import or export goods?
2. **Their capabilities and resources**: Following Amartya Sen's use of these terms,[22] these refer firstly to their formal education and prior work experience, and secondly their personal or family financial wealth and social networks. Both

[22] See the application of Sen's capability approach to Africa in Weber et al. (2022).

of these provide an entrepreneur with choices – that is, the ability to take advantage of opportunities that present themselves. Was one or both of their parents an entrepreneur and, if so, what do (or did) they produce? Two- (or multi-) income households are more secure, particularly where one income is a stable salary. Does their spouse, or others in their family, earn income from formal work and, if so, doing what?

3. **Their business skills**: Opportunity entrepreneurs should have more substantial skills than necessity entrepreneurs. Are they aware of their own costs, revenues, profits? Do they keep written accounting records? Do they know what they earned in the previous financial year, or 12 months prior?
4. **Finally, their financial behaviour and whether or not it is forward-looking**: How important has *business* saving and investment (in physical assets) been for the HME in the past three or so years? For an HME, saving and investment means some limits on household consumption (Block et al., 2015). Does the HME have any credit (or loan) history, with formal or semi-formal banking institutions?

Gender is a significant variable in the opportunity–necessity distinction. On one hand, many poor women are “necessity” entrepreneurs, due to the specific challenges they face in relation to household dynamics, labour market discrimination and as HME operators. But on the other hand, many men, like the wood merchant in Lilongwe, are able to be opportunity entrepreneurs in part because their wives are working full-time in a formal business or a public sector organisation, so that the family income is partially shielded from idiosyncratic or systemic risks.

The distinction between opportunity and necessity entrepreneurs is ultimately a class distinction – the latter are part of what Marx called “the reserve army of labour”, the un- or underemployed, and their focus is on survival and moving out of poverty. The former aspire to joining the petty bourgeoisie, however – in this case, to move from microenterprise to small enterprise – and some will succeed in that. It is useful to look at entrepreneurship from this class perspective, because it helps to recognise the different impact of each group of entrepreneurs on economic development, at both the city and the national level, and therefore also the different policy approaches needed for each group, on entrepreneurial skills as well as other factor supplies (Tendler, 2002). For example, small loans from VSLAs or ROSCAs may allow for some increase in scale at an individual enterprise level, helping necessity entrepreneurs with income- and consumption-smoothing, but the scale change from these loans will probably not be sufficient to allow an opportunity-based business to permanently change productivity levels or to move into new markets. That would need a bigger loan from a microfinance institution, a credit union or a bank. Broadly speaking, the long-term policy focus for most necessity entrepreneurs should be to move them into more secure employment by expanding larger firms, providing more secure livelihood prospects than incomes from their (necessity) HMEs. That will have to be accompanied by other policies to address the consumption needs of those who buy from these HMEs. But in the short to medium term, there is a need for policy to support necessity HME activities, with important roles for community organisations and sector enterprise associations.

Opportunity entrepreneurship often rests on the ability to differentiate one's product(s) from those of competitors, as in markets with formal firms, so it is worth elaborating on innovation. Harriss-White and Rodrigo (2013) and Harriss-White (2017) usefully distinguish three categories of innovation: invention, understood as "new in the world" (which is often how the economics literature understands innovation), as well as two different types of imitation, understood as "new in the relevant market", and which uses codified knowledge. Imitation may be either adaptation, to local conditions or local consumers' needs, or it may be adoption, that is, brought in from other markets, whether foreign or local. They show that all three types of innovation occur amongst HMEs, but the first two – invention and adaptation – are more likely to be undertaken by opportunity entrepreneurs. These entrepreneurs are also more likely to adopt technologies or products from further afield – where distance is understood in physical terms or referring to a technological/organisational gap – than necessity entrepreneurs. For HMEs, innovation is constrained by risk, by (the absence of) space, by (the lack of) finance and by low resilience as defined above (in footnote 11).

Despite these obstacles, many HMEs nonetheless innovate and, like larger firms, this is driven by pressures from their competitors, customer demand or regulatory shifts, or else by (changes in) cost structures, newly available infrastructure services, or health and safety concerns (Chen, 2016; Alfers et al., 2016). HME innovation, especially by necessity entrepreneurs, is often "open" – that is, learning is undertaken jointly by several firms together, but most often within a single cluster, as discussed below in the context of agglomeration. The ease of copying, because design innovations are relatively simple and innovating firms allow copying, lowers profit from innovation and also leads to new entry, often by apprentices in a cluster, and "crowding out" of existing firms. Yet few informal businesses, including HMEs, are able to protect their intellectual property (IP), partly because the IP is outside the boundaries of what is protected by the innovation system and partly because of cost, both to register their IP and to protect it in the courts if it is transgressed (Bull et al., 2016). Bull et al. (2016) suggest a role for cluster associations in IP: the association would build collaboration amongst its members, and be the innovation appropriation mechanism, protecting ideas developed within the cluster from copying by external actors. This is something to be considered in relation to the discussion below of cells E and F in Table 2. They also suggest a streamlined administrative process on rights, to ensure that IP – including for new industrial designs and branding – and economic rents are retained within an innovator's cluster. As for larger firms, innovation requires up-front investment by small firms, so that improved access to credit would help to support more innovation by HMEs.

C. Hybrid governance

Governance refers to public authority, in the sense of both legality – the rules of the political system used to address conflicts and make decisions – and legitimacy – the acceptance of institutions by the public. On one hand, there are formal rules – the laws and regulations of the local and national states – carried out by bureaucrats in ministries, the police and the criminal justice system, infrastructure delivery agencies,

political parties and so on. On the other hand, there are informal systems, which may come from custom or "tradition", from criminal activity or from political or social organisations. By referring to *hybrid* governance in relation to the NDED domain, we mean that governance in the domain is mixed, combining formal and informal processes. Of course it is true that all governance combines the formal and the informal and is mixed in that sense (Hart, 2006), but in many rich country situations, the formal system dominates, while in African cities, neither system is clearly dominant. Nyamsenda and Collord (2023) show how in Dar es Salaam, the formal and informal are mixed at the lower levels of the state: informal structures complement their formal counterparts (as they do at the higher levels), so that citizens' experience of the state – whether accessing services or seeking official identity and other documents – begins with informal structures. Governance is also arbitrary – that is, it varies amongst different spatial locations in the same city.

Informal systems often operate through the exercise of violence, or at least its threat, both against individual HMEs or residents, and between competing informal power-wielders. Conflict (and its threat) is a common, perhaps even ubiquitous, feature of hybrid systems, facilitated by the density and proximity in cities. Decentralisation of power is often assumed to be democratic and participatory, supporting "local economic development" policies aimed at inclusive and multidimensional poverty reduction, drawing on process-focused urban planning and on place-based "big push" public investments to crowd in private investments and improve competitiveness. But the reality of power in most (or all?) African cities is far from this ideal, being much more concentrated and ruthless (Beall, 2009), and HMEs do not have adequate citizenship rights, that is, they are not given sufficient protection by the state against unofficial violence. As Chen et al. (2020: 263) put it, they are "often inside the *punitive* arm of the state but outside the *protective* arm of the state". Though the threat or actuality of violence from informal powerholders impacts all HME operators, for women HME operators, it may often take the form of gender-based violence.

Formal rules are often ignored or superseded, both by informal operators as well as by formal actors operating informally. Individual state officials may change the rules arbitrarily, or they may use their public position for private gain, for example, by pocketing rents supposed to go to the public purse, or by increasing rents above the official level for market access, housing space or other charges on microenterprises and residents (Chabal and Daloz, 1999; Goodfellow, 2017).[23] On the other hand, informal operators, including factions in political parties, traditional authorities or criminal gangs, may extract money from city-dwellers in exchange for some service, which may be security of people or property – often payment for protection against attack by those extorting the money – or access – to markets, housing or infrastructure services. In some cases, they may hand a share of their proceeds to informal overlords, who themselves provide protection to the lower-level operators.

[23] For a NDED city example, see Anudu (2021b).

The funds that these unofficial powerholders, or officials acting unofficially, extract from HMEs or residents are economic rents, defined as money earned because their recipient possesses an asset or quality with scarcity value. In this case, the asset or quality is the power to enable or block participation in a market, marketplace or community to HMEs and other poor residents.[24] These transfer rents (Khan, 2000: 35) are based on the establishment of property rights in the market or community and, though informal, are similar in that sense to policy-enforced monopoly rents and to natural resource-based rents, which we can collectively call "barrier rents" (Gelb, 2019).

In Lagos, there are two different types of extortionary gangs of young men. One is the *agberos*, gatekeepers in transport hubs demanding payment from commercial minibus-taxi operators. They are linked to the National Union of Road Transport Workers (NURTW) and many also informally to elected officials in the state government (Agbiboa, 2018). The other type of gang is the "area boys", linked to specific neighbourhoods, where they collect pre-specified rents daily from street traders and other HMEs to access markets (Basinski, 2009).

Some informal systems have a high degree of legitimacy amongst HMEs (and their customers), such as the "market queen" regulatory system in Accran and Ghanaian fresh produce markets, which has existed since the 1930s (Brown et al., 2010). Each individual product (different vegetables or crafts) in a market has its own association, chaired by a product queen (a man can be a line leader), with admission to a market's weekly "market day" controlled by an entry fee, usually GHC10 (about USD1), a relatively high cost. Within a market, the product queens operate in a strict hierarchy to form an overall regulatory system, and join together to elect the queen of the entire market. This is a lifetime appointment, though power in the system is linked to that of the traditional authorities. The market queens have considerable financial and negotiating skills, and manage competition within a market by acting as wholesalers, maintaining reserve stocks, which allows them to regulate prices, as well as market regulators, controlling entry to the market and managing conflict between traders or between traders and customers. They also provide welfare and loans to market participants, but can be hostile to "open" street traders who are not part of their market structure.

Very little informal sector literature looks at the "market queen" phenomenon, Brown et al. (2010) being an exception,[25] but as an informal market system operating over decades and based on implicit codification, it underlines the limits of the idea of formalisation as providing a magic bullet solution, whether for HMEs, the broader economy, or "the state". These fresh produce markets are well organised, operating in highly localised but stable self-regulatory frameworks that are well understood by direct participants. Traders adhere to a set of conventions about competition and entry,

[24] Also cited in Goodfellow (2017).
[25] Clark (1997) and Scheiterle and Birner (2021) both discuss the phenomenon but not from an informal sector perspective.

pricing, demand and supply, contract enforcement, which are implemented by an unofficial (that is, not state-appointed) but nonetheless legitimate authority (that is, accepted by market participants). Produce markets in Lagos use similar hierarchical regulatory systems (not called "market queens"), where the regulators are linked to political elites rather than traditional authorities.

Paller refers to the informal rule systems impacting poor residents of a city as "everyday politics". He defines "everyday urban politics [as] the institutional context of *daily decision-making* in a neighbourhood – how people act, think, and feel about power on a daily basis" (2019: 17, emphasis added). He argues that underlying everyday politics are specific assumptions about power: social practices reflect embedded political behaviour, which is in turn shaped by (sometimes unobservable) authority structures. People's daily decisions are shaped by both their understanding of power and by the meanings (emotions) they attach to their environment. So, neighbourhoods which may be similar in terms of income, demographics and formal political structures, may nonetheless have distinct development outcomes, because "everyday politics" in each neighbourhood operate through different mechanisms – that is, norms and rules governing access and security are set differently. As Crossa (2020) puts it,

> "space is regulated and controlled by multiple agents, including the state, street-vending organizations, street vendors (and their systems of organization – the use of labour for the setting of stalls, their costs, and so on). Every vendor, every organization has its own spatial arrangement and territorial control, depending on the location, the nature of what is sold, and so on. These spatial systems of management have to be thought of always in conjunction with normative and legal frameworks."

As this suggests, power in an informal rule system may be highly localised, resulting in multiple systems co-existing both with each other and with the formal system in a single city. This seems to be the case in Accra, for example (Paller, 2019). The significance of both sector and spatial location (neighbourhood) is evident, as each provides different opportunities to different informal powerholders. Given the heterogeneity of the power distribution in a single city, everyday politics is somewhat independent of the larger canvas of the PS in a city and a country, which focuses on how power is organised and exercised at the upper reaches of the national and local states. But everyday politics is at least as important to both HMEs and their customers in the NDED domain, if not more so, as the formal rule system and informal institutions underpinning the PS of the elites.

There may well be some links between them – that is, where the PS shapes the patterns of everyday politics in some locations and some sectors in a city. The standard view is that HME operators and their customers matter to PS powerholders primarily as a "vote bank" provided in clientelistic fashion to politicians in exchange for small handouts or, more often, for the promise of more favourable policies.[26] In both

[26] There are other concerns about the PS, beyond the focus only on "active" groups meaning a limited concern with the NDED domain. Firstly, the PS must rest on some sort of growth, or

Dar es Salaam and Lilongwe, national government policy shifted back and forth in favour of or against formalisation, understood as enterprise registration and taxation, as successive national presidents tried to mobilise different groups, leading to shifts in the PS.[27] For example, in Lilongwe, a liberal regime with regard to spatial location for HMEs under President Muluzi (1994-2004) gave way to strict physical control over markets under President Bing wa Muntharika (2004-11) and then to a more relaxed approach under President Banda (2011-14). But the consequences of these shifts for HMEs were asymmetric – a positive shift in the rhetoric did not lead to any sustained meaningful change in the daily realities of most HME operators, but a negative shift led to difficult restrictions and constraints, including confiscation of inventories, informal taxes levied by state officials, and closing off of HMEs' usual market locations.

While this characterisation may be accurate as far as it goes, it suggests that the linkage between HMEs in the NDED domain and the PS is at best a one-way street – even if powerholders are disaggregated into different blocs (leaders, contingently loyal and opposition), HMEs in the NDED domain remain relatively powerless at city/national level politics outside of elections and do not wield sufficient formal political power to make a significant difference to the PS's evolution. As Brown and Mackie (2018) point out, there is often little focused analysis of the impact of the PS on HMEs, either through its formal structures or through less formal arrangements between individual politicians and specific groups of traders or other HMEs. Conversely, in many ways, changes in the PS do not make much difference to the fortunes, either political or economic, of most HMEs. Even in Goodfellow's helpful distinction amongst "varieties" of clientelism (2017), the different arrangements he outlines do not seem to make much difference to the *daily* lives of HMEs or their customers. So there will be other sectors and spaces in the same city where everyday politics is likely to be more narrowly localised.

A second, and probably more important, indirect linkage with the PS is where informal rent collectors are in effect low-level operators within one or other power bloc in the PS, and who are required to pass "upwards" to their patrons some (often significant) share of the barrier rents, which is in effect a "tax" paid by the rent collectors for their blocking power. NDED research in Harare (Pasirayi, 2022) underlined the role of informal gangs linked to political parties (see also Oosterom, 2018; and McGregor, 2013). The Chipangano group, linked to ZANU PF, was active in areas like Mbare, Gazaland and Glen View before ZANU PF's factional splits after 2014 and the military coup in 2017,

accumulation strategy, but this is not discussed, and the focus is purely on redistribution rather than production. In the 2 x 2 framework table (Kelsall et al., 2021: Figures 1-3), the broad vs narrow social foundation seems to relate to a range of identities, and although a "deep" social foundation referring to income categories is mentioned, it is *not* included in the framework, so that the impact on NDED is ignored. Secondly, the other axis – dispersed or concentrated power – focuses on the leader(s)' political power, and seems to ignore economic issues, which affect the efficiency of leader's long-term choices and their need to bargain with other groups, for legitimacy. The paper seems to imply that this dimension changes with each election, so ignoring longer-term institutional aspects.

[27] See Nyamsenda and Collord (2023); Chitika (2023).

passing much of the rents they collected to the party. Former members continued to threaten violence after that, both in Mbare and in newer trading sites close by, such as Coca-Cola in Graniteside. As recently as September 2022, ZANU PF space barons demanded USD5 a day from vendors and USD50 per square metre per month from stall owners at Mbudzi traffic interchange, holding the funds for the party rather than handing them to the local government (Munemo, 2022).[28] Many HMEs pay no rental because they belong to the ZANU PF party, though naturally, party affiliation is often for convenience, not ideology or political conviction. MDC/CCC-aligned informal powerholders are also active in controlling urban space, though this is less well documented. But in 2022, the police barricaded the road to Mupedzanhamo market following skirmishes between ZANU PF and MDC/CCC protagonists (Muronzi, 2023; Nyangani, 2023).

A change in the PS may lead to a change in the identity of the informal rent-collectors, especially in cities such as Kampala or Harare, where the governing and opposition national-level parties are in conflict over city-level government. But if the original rent-collectors are willing and able to switch to new patrons, they can maintain their role. Either way, however, the HMEs paying the rents are likely to be little affected by such changes, as the small rent streams shaped by everyday politics and paid by HMEs continue to flow, and will not necessarily rise or fall, even if their recipient has changed.

There seem to be few estimates of aggregate rents paid by HMEs, or indeed overall NDED incomes, as a share of the formal economy (that is, of the Gross Geographic Product) in an African city. The share may be quite small, but the amounts are nonetheless of significance to the incomes of the payers – the HMEs – and also probably at least to those of their immediate recipients – that is, the informal operators who collect them. A survey of HMEs in 23 local authorities in Lagos indicated daily rents paid by HMEs to “area boys” ranged from NGN350 to NGN900, averaging NGN513 (about USD1.25) across the city, equivalent to about USD460 per annum (Anudu 2021a). The “area boys” generally provide an official N50 ticket from the state government in exchange for the payment, so the bulk goes to the gangs and their bosses. Given there are over 3 million HMEs in Lagos, this report implies a total of around USD1.5 billion a year is paid in rent to the area boys. Of course, this level of funding is partly due to the population size in Lagos, but even in smaller cities, the equivalent level of funding going to one or even two political parties is potentially very significant. However, from the perspective of the HMEs and other participants in the NDED domain, the ultimate destination of their rents – that is, inside or outside the power configuration of the PS (Kelsall et al., 2021: Figure 2) – may matter little, and their collective contribution does not give HMEs any collective power as a group in a PS. And, reciprocally, the NDED domain does not have a material effect on the distribution of “holding power” in a PS. However, while individual HMEs operating in an atomised “perfectly competitive” market have no holding power politically or over markets, an *organised* HME association in a particular sector and locale might act as a

[28] It is not possible to know how much money was collected in this way.

countervailing force to gangs like those mentioned, so that barrier rents paid by HMEs could be redistributed as collective goods and services to association members.

On the other hand, longer-term changes in land use or in small enterprise policy will impact more directly on some HMEs. If some members of the elite aim to capture new, larger rents through permanent upgrading of some spaces in the city to more upmarket uses, or a share of revenues from new construction contracts, HMEs and other residents on the affected land will be forcibly dislocated to other parts of the city. Such land-use shifts may also follow a change in the PS, leading to a new urban vision more focused on modernity, as in Addis Ababa (Goodfellow, 2017), which may also be accompanied by more emphasis on HME formalisation. This leads to the removal of HMEs from their "spontaneous" marketplaces to be "herded" into newly constructed, local government-financed, well-laid out market spaces, where, PS powerholders imagine, now-formalised micro and small enterprises will set up their stalls, selling their products but also paying official rents and taxes to government. The result, however, is very often "dead" space, as neither HMEs nor their customers see the location as convenient. In the Ilala municipality of Dar es Salaam, the Machinga (hawker) Complex was developed by the local municipality starting in 2007, at a cost of TZS12.7 billion (USD4.85 million) to accommodate about 4,000 HMEs. The Complex is a multistorey structure, which is close to several smaller markets where monthly rents are about a quarter to a half of those at Machinga, and which are easier for customers to reach. These markets operate at greater than full capacity, but the Complex has operated well below capacity since it opened in 2010. Over the years, it has gradually filled up, but the top floors remain barely used. Much of its space is used for manufacturing activities, particularly for apparel, or for goods storage rather than sales, while it also contains non-HME entities like training institutions and gyms (Msoka, 2024). This complex, like similar ones in Harare and the other cities, underlines the limited relevance of the slogan: "If you build it, they will come". Local government agencies creating a new physical marketplace without the involvement of HMEs from the outset, including on the location of the new market, will inevitably lead to failure.

D. Space and agglomeration

Looking at the spatial location of HMEs, we focus on the agglomeration and efficiency impacts of urban density and proximity – that is, their dynamic growth effects. So this fits into the market-centred or decentralised column, and into the macro, or urban economic development, row of Table 2. Though there is a growing literature on agglomeration, little of this focuses on developing countries,[29] and where it does, it is concerned with the macroeconomy or, at best, the "macro" city level. And, to the extent it is concerned with MSMEs, its primary concern is the costs of agglomeration rather than its benefits. Congestion lowers HME productivity and profit directly, especially through its impact on competition and on transport access, cost and quality across a city. But there is greater focus on congestion's indirect costs – that is, its impact on

[29] But see Duranton (2014; 2016); Collier and Venables (2017); and Glaeser and Xiong (2017).

health, crime, and land values, where the impact on HMEs and poor residents is very localised. Informal settlements are seen as spatial poverty traps (Bowles et al., 2016). These indirect congestion costs are very often used by policymakers to justify the need to create order from chaos – that is, the clearance and eviction of HMEs and other informal settlement residents will eliminate disease and crime and enable an increase in land values through real estate development, while better spatial organisation of HMEs will improve the benefits from competition, with formalisation a side benefit.

The OECD (OECD et al., 2022) has argued that agglomeration benefits do exist in Africa, showing that about one-third of income per capita growth in Africa is due to urbanisation. Growth of 10% in the urban population leads to 0.3% productivity growth. Their econometric analysis suggests that rural areas are better off, the nearer they are to cities, and also that clusters of cities do better than isolated cities. Their study ignores negative externalities – that is, the costs of agglomeration – but their report underlined the common argument that urbanisation in Africa has not led to economic transformation. African cities are seen to have lower productivity benefits from agglomeration than elsewhere, because despite their significant populations, they are disconnected – their density and proximity levels are lower than in cities in other regions. The World Bank (Lall et al., 2017) cites a 2016 study of 265 cities in 70 countries showing that, compared to Asian and Latin American cities, African cities have on average 37% lower exposure – the distance of people from each other – and are 23% more fragmented – the variation of population density.[30] In other words, land use in African cities is relatively fragmented, transport networks are poor and economic expansion is extensive, rather than promoting densification. Large firms are both scarcer in numbers and sparser within spatial locations, which creates a vicious circle between lower benefits and higher costs. Rent, food, transport and other infrastructure services cost more, pushing up nominal wages and lowering trade competitiveness, affecting both exports and imports. Overall, agglomeration benefits per unit of GDP are lower than in cities in other regions.

The World Bank and OECD promote fairly conventional policies to address weak agglomeration impacts – conventional in the sense that they are largely focused on promoting larger firms. The World Bank's work on Africa (Lall et al., 2017) extends its approach in the *World Development Report 2009*, arguing for a sequenced programme, starting with reform of land markets and the land-use planning system to raise density, followed by a big push on infrastructure investment, especially in transport, and then focusing on spatially targeted interventions, which require leadership from a "credible coordinating agent" (Lall et al., 2017, page 26), meaning a "forward-looking" business association, real estate firm or local government agency. The OECD, UNECA and AfDB report (2022) focuses on local economic development programmes to promote existing sectors and on enhancing specialisation in a city. These programmes should be led by local governments, which need to be

[30] See Lall et al. (2017), citing Henderson and Nigmatulina (2016).

strengthened both financially and in terms of human resources, through stronger connections with the private sector.

These reports by international organisations do not really address how agglomeration impacts HMEs, nor do they address the needs of HMEs or the wider NDED domain. How does agglomeration advantage HMEs or hinder them? In cities in Africa, as elsewhere, HMEs in the same sector locate themselves in a common space, which strongly suggests there are agglomeration benefits. This is true for retail traders in marketplaces, where people selling the same set of products tend to locate in the same area, whether it is different fruit or vegetable products, meat, fish or dairy goods, dry goods or household hardware products. But manufacturers of the same product also locate together in commercial spaces, as we saw in the NDED cities. For example, furnituremakers are collocated in Glen View 8 in Harare, in Mchesi in Lilongwe and in Keko in Dar es Salaam; sellers of household metal products or of construction lumber congregate in different parts of Area 25, Lilongwe; while coffin-makers and rice-refiners are found on specific streets in Mchesi. In Harare, autoparts sellers are all in Mbare, while motor mechanics are in Highfield.

This collocation, whether in manufacturing or in retail trade or other services, results from the benefits of agglomeration, which economists have categorised into three groups: sharing, matching and learning (AEO 2016: 149; Duranton and Puga, 2004; ADB, OECD, UNDP, 2016). Ghani and Kanbur (2013: 20) in fact assert that "agglomeration economies may be more important … for informal activities than for the formal sector". We can describe the benefits to HMEs as follows.

- Sharing means acquiring inputs, of infrastructure services and intermediate goods, on a collective basis. In cities, the greater scale in demand allows for reduced input unit costs. This demand-side collective action is possible in cities where collocation creates market size to allow external scale economies in input provisioning activities. HMEs operating in the same location will often work together to transport inputs, for example, especially if the distances are large and the items are big. For example, the 50 or so construction timber sellers in Area 25 in Lilongwe jointly hire a lorry to buy timber from the suppliers in rural areas and transport it to their marketplace, and buying collectively means they have greater bargaining power with the forestry companies. Their informal association also provides funeral insurance jointly to its members. Similarly, the rice-millers in Mchesi in Lilongwe cooperated on transporting rice from the rural areas. Sharing is commonly used by HMEs to support goods transport of inputs, if it is available, as distances are often significant for traders with low incomes and no vehicle. Most of the HMEs interviewed in Mchesi, Lilongwe, source their materials or other inputs from the local market, which is between 500m to 1km away from their place of residence. A few buy in the Old Town market, 2.5km away, though some travel by bus as much as 40km to seek better quality inputs. HMEs in Lilongwe's Area 23 may travel by bus or hired lorry to Old Town (5.5km) or Wakawaka market (7.2km).
- Matching is improved efficiency in transaction costs – that is, creating market opportunities by bringing together supply and demand to enable trade. Lower transaction costs mean lower overall input costs, which is evidently more likely in cities, due to population proximity and density. By locating in the same space as others producing the same products, HMEs increase the number of consumers who

come to their common space looking for a particular product – that is, they increase the scope of consumer demand. As Ghani and Kanbur (2013: 9) put it, "To the extent that smaller scale firms are less vertically integrated, it helps to be in a dense ecosystem with forward and backward linkages of the supply chain in inputs and outputs in close proximity." In both Keko, Dar es Salaam, and Glen View 8, Harare, many furniture manufacturers are located close to each other and to their suppliers – that is, producers of frames and upholstered materials. Their customers, both retail and wholesale, come to the production location in each city to order and collect goods, while a few furniture retailers are also located in the area.

- Finally, agglomeration enables firms to learn, so increasing their productivity, by increasing their access to knowledge and information, either technical or market, much of which involves the exchange of tacit (or uncodified) knowledge – that is, not relying on written information but on close physical contact and hence facilitated by urban proximity and density. Innovation amongst small firms in African cities is restricted by transport obstacles and often also by low literacy, especially in English. Innovation by individual firms is commonly motivated by the resulting ability to appropriate economic rent in an imperfectly competitive market. But this may be less of an incentive for HMEs in a highly competitive market, who are often willing to undertake open or collective innovation, including passing on knowledge through apprenticeships, as discussed above. As Kraemer-Mbalula and Wunsch-Vincent argue, "dense relationships in [small enterprise] innovation clusters lead to an efficient diffusion of knowledge and know-how … [through] passing on of skills in close-knit inter-organizational networks…" (2016: 67).

Agglomeration benefits occur at a very localised level for HMEs, which is not surprising, given that most have a small spatial footprint. Bull et al. (2016) looked at innovation in the informal metal-working sector in Kamukunji, Nairobi, and found that almost all their respondents were happy to collaborate with others *within* their cluster, sharing job opportunities, raw materials, tools and processes, and allowing local competitors to copy their products. But a far smaller percentage were willing to share in the same way with people *outside* their cluster. But the same is true even for larger firms in richer cities: under some circumstances, the spatial limits of agglomeration benefits are as little as a few hundred metres. In their examination of large and medium-size businesses in cities in high-income countries, Rosenthal and Strange (2020: 32) argue that these businesses only require a modest increase in returns to choose a higher density area. They suggest that agglomeration effects are stronger if businesses are "close" to each other. But how close is "close"? Their answer: *very* close – many of the benefits occur at or below neighbourhood level – that is, at a distance of a few hundred metres, and even in the same building.[31] One could argue that there is no difference between being in "the same building" and being in "the same market place": in other words, HMEs agglomeration benefits are also very localised.

As implied in the above descriptions of the agglomeration benefits, these interact with market competition so that possible tradeoffs and complementarities between cooperation and competition should be examined. HME competition is very localised, and the need for cooperation to take advantage of agglomeration often outweighs the negative impacts of competition. This may lower scale for individual HMEs, but at the

[31] See also Combes and Gobillon (2015: 306).

same time it enhances the aggregate scale of HMEs in a specific sector and location. In other words, agglomeration can enable increases in external economies of scale which would boost collective profitability. This takes us back to the issue of "big push" investments, especially in infrastructure – transport, energy, security – discussed above. These investments are large for individual HMEs and also lumpy and so would need to be undertaken collectively. A neighbourhood business association may make this possible, with individual HMEs contributing to a fund to purchase or rent a transport vehicle, electricity generators for the business locality or fencing and other equipment for collective security.

E. Value chains, markets and competition

The formal and informal sectors do not operate in distinct and separated arenas – in fact, there are extensive market-based interactions between formal and informal enterprises in both HMEs' input and output markets. Though these interactions are not widely discussed in the literature, some work does begin to address this gap.[32] We examine them using a value chain (VC) framework in this section, and also look at interactions amongst HMEs in their own product markets. This cell is in the market-based column in Table 2, while this and the next section on HME associations are part of the "meso" row – that is, concerned with groups of firms acting together.

HME–formal enterprise relations may be either vertical or horizontal. Vertical interactions are linkages within a specific VC – that is, a sequence of activities linking the processing of a particular finished product from the raw material stage through production and distribution to sale for use in final consumption, with additional value being added in each process in the sequence. Vertical linkages within a VC can be further subdivided: forward linkages are where the HME is upstream from the formal sector firm, selling productive inputs to the formal firms, while in backward linkages, the HME is downstream from the formal sector firm, sourcing its goods or services from the latter for resale to direct consumers.[33]

Forward linkages for the HMEs arise when formal firms, either multinational or domestic, subcontract many upstream HMEs to make products (goods or services) for them to use either as inputs in further production, or for resale further downstream to firms or final consumers. For example, large global manufacturers may outsource to HMEs and other small enterprises the assembly of low-cost consumer goods, such as clothing and shoes, fashion accessories, pharmaceutical assembly or small electronic items like alarm clocks or remote controls. WIEGO calls these HMEs in VCs "homeworkers" (Harvey, 2019), to distinguish them from the distinct category of "self-employed home-based workers". The latter operate independently, and are usually backward linked to formal firms in a vertical value chain – that is, they source their inputs for further production from formal retailers/wholesalers. They include

[32] Ranis and Stewart (1999) was a seminal paper. Meagher (2013) surveys the literature.
[33] Hirschman (1958: 100 ff) originally defined linkages in relation to interactions between industrial sectors supplying inputs to, or receiving inputs from, each other.

manufacturers and maintenance service providers, such as dressmakers, tailors and shoemakers, who source fabric, leather, thread and so on, from formal enterprises and sell their finished products directly to retail customers. Home-based workers are often well organised in associations: for example, the Ghana National Tailors and Dressmakers Association has 550 branches, with 45,000 craftspeople and 65,000 apprentices.

The vast majority of “homeworkers” are women, and many of them do both “homework” within VCs, as well as independent “home-based work”, shifting back and forth, as demand conditions change. Homework in *global* VCs is common in Asia, where global brands have located significant production activity, and work with large domestic firms as well as home-workers. But as our fieldwork in Harare and Dar es Salaam showed, in Africa as in Asia, homework for domestic VCs is common, especially in furniture and other large household non-electrical items, where generally male-run HMEs manufacture under subcontract for domestic retailers or distributors (Meagher, 2013: 6 ff). Our discussions with HME furniture producers in Harare and Dar es Salaam confirmed this.

Formal firms pay subcontracting homeworkers a piece rate. They outsource production rather than producing internally, to achieve cost reductions, including lower transaction costs, but this is at the expense of subcontractors’ profitability. The lead firm in a VC – which may not be the firm directly subcontracting HMEs – sets cost and delivery schedules, which in turn shape HME productivity and profits, while input supply and transport management are usually the responsibility of the contracting firm. This relieves the cost burden – in terms of both time and money – for HMEs in a chain. On the other hand, when a formal firm starts outsourcing production, the distributional impact may be negative for HMEs overall, as new opportunities for some HMEs and informal firms will open up but many others already operating in the industry are likely to be excluded. The informal sector literature tends to focus on forward linkages from HMEs to formal sector enterprises as a means to promote growth of informal firms, as discussed in Meagher (2013). Overall demand for HME output is set by the lead firm in the chain, so slow growth in an economy’s formal sector can disrupt informal sector growth.

HMEs produce for sale both to formal retail enterprises and directly to consumers – furniture producers in Glen View 8 in Harare, for example, ship to larger retailers in the city but also have “factory outlets” close to their workshops for private customers. HMEs producing large-ticket, specialised items, such as furniture or metalwork home fittings (door and window frames, burglar guards), or specialised items such as coffins, will have low bargaining power with the large retailers they sell to, though possibly greater bargaining power when dealing with neighbourhood residents as direct retail customers. However, in some markets, retail customers can hire an intermediary to negotiate on their behalf, which can lower prices, especially if the intermediary is connected to the gang controlling access to space in the market (Dzenga, 2021). And at the same time, they will also have *greater* bargaining power with the latter than do

HME traders of low-cost items like food or fast-moving consumer goods (FMCGs), such as toiletries and household cleaners), where there is a much larger number of traders. Once again, it is essential to differentiate between sectors, and indeed markets, rather than talking of all HMEs or of all small enterprises together.

Backward linkages from HMEs to upstream formal enterprises involve the former buying goods or services from the latter to sell on to the HME's retail customers. For example, HMEs may buy prepared branded foods or FMCGs from large "lead firm" producers, or provide "last mile" distribution of lead firm services to poor consumers, including financial (e-money) or communications products (mobile telephony, TV or internet). The HME may be an agent for a single formal enterprise: for example, numerous mobile cold drink or ice cream sellers using branded vehicles (Coca-Cola, Wall's), or the TV/cinema operator showing football and films in Area 25, Lilongwe, distributing the DSTV channel's products, though not working officially for them. Alternatively, the HME may operate independently from individual formal firms, purchasing products from multiple firms – for example, an HME retail trader in a fixed location with numerous branded signs on their shelves and fridges, or the *wakala* agent in Dar es Salaam mentioned above, selling on communications and financial products for a range of different providers. Much business literature argues that the formal businesses are using HMEs in a "bottom of the pyramid" (BoP) business model – that is, linking the expanded market to social goals, in particular poverty reduction (Prahalad, 2004). In fact, the lead firm is often supplying a low-cost consumer product (like mobile telephony or ice cream cones), so a low-margin, high-volume approach using outsourced HME distributors is really no more than a sensible marketing approach to reach low-income consumers.

A common form of service provision is co-production, where HMEs work with formal enterprises to provide private infrastructure services directly to poor consumers when public services are not available. One example found across African cities is recycling centres linking upstream to waste-picker HMEs who collect solid waste garbage in the streets and deliver it to the centres. But there are co-production examples in other infrastructure services too, where HMEs link backward to formal sector suppliers: vendors hand-carting ten-litre bottles of mineral water around Accra or Harare, or portable gas bottles in Harare. HMEs, whether individually or collectively, do not have much control over institutional design or prices in these models, but do retain control over their own individual schedules and, through that, their own productivity and profits.

A key issue in VC analysis is the examination of governance within the VC, that is, the distribution of power between the lead firm and other participants. The latter may include large formal enterprises, such as transport and logistic firms providing services in multiple VCs, as well as smaller firms operating as subcontracting suppliers or as distributors to final consumers. Lead firms, as the name implies, shape the relationships between themselves and the other firms within their chain, and receive the largest share of the economic rent available in the chain, with other formal firms likely getting larger shares of the remainder than smaller subcontractors and HMEs.

Power in the chain is reflected in a firm's ability to influence pricing *within* the chain – that is, the internal distribution of value, and in its "switching costs", that is, the financial and other costs of moving to a different value chain, in the same product market or another product. VCs where lead firms are linked to upstream HME and other small firm subcontractors are characterised as "captive" chains (Gereffi et al., 2005), to underline that the subcontractors have little power over their own product prices, as they sell them to lead firms, while their switching costs are high, as they need to persuade another lead firm to take them on in a new VC. Switching costs partly depend on the numbers and degree of competition amongst formal lead firms, but even if there are few of the latter, the subcontractors are faced with a relative oligopsony.

For HMEs linked to upstream large formal suppliers in VCs, the most common situation in African cities, the pricing of products is key to the HMEs' incomes: do the HMEs sell to consumers for a fixed price – that is, is their margin set by the lead firm? Or do they buy the product outright from the lead firm, so that the HMEs themselves carry the financial risk of storage and of unsold products, but retain greater control over their profitability? Goods sellers linked to one or two brands – for example, soft drinks, water or ice cream – will sell on a fixed commission, as will distributors of services (telecoms, financial services), though the latter can diversify risk by selling multiple brands, as is done, for example, by the mobile phone and financial service distributor in Dar es Salaam described earlier. However, many retail trade HMEs selling multiple products take the second route, purchasing goods outright from larger formal retailers, who in many African cities today are Chinese- or Indian-owned wholesalers/retailers, who have taken over much of this trade with small-scale retailers from immigrants from the colonial powers – Britain, France or Portugal – or else from Jewish or Lebanese immigrants. This is the case in Lilongwe or in Accra. Some HME traders go to neighbouring countries – from Harare to Messina or Johannesburg in South Africa, or from Lilongwe to Johannesburg or Dar es Salaam – where they purchase goods for resale back in their home city (Zack, 2025). Many retail trading HMEs will repackage goods bought from formal retailers in smaller sizes and quantities to better suit their customers' incomes and storage spaces. HMEs selling multiple products and brands mostly benefit from a fixed spatial location in a market place or on the street (paying official and unofficial rent for the benefit), while other traders, especially those selling a narrow range of products, will use the mobility and locational agility allowed by their low scale to shift locations often, though they will need to be able to store goods at home or elsewhere. HME distributors may be forced to buy or rent branded carts, fridges, shelves or signs from their lead firms. Upstream-linked HMEs are able to control their productivity to some extent – they can define their own schedules, and often also their spatial location, while some may have enough power over consumers to adjust their selling price. On the other hand, they will generally have to pay VAT or sales taxes on their purchases from formal enterprises, which may limit their price flexibility. Once again, where HMEs are tied to a single formal supplier, switching costs are partially dependent on the number of lead firms.

A major problem for retail trading HMEs linked to upstream large formal suppliers is dealing with macroeconomic shocks, which are common in the countries where our cities are located. They may arise from exchange rate and currency crises (like dollarisation in Zimbabwe), foreign debt crises, from international price shocks affecting imports, especially oil, or from domestic droughts (or floods) affecting food prices, as occurs often in Malawi. This causes inflation – that is, excessive price increases – which impacts on both trading HMEs and on their customers, as rising input prices of both goods and transport for HMEs may then push up sales prices to their customers. But HMEs have little market power on both sides of their market: they may have to accept a higher cost from their suppliers, as they have no alternative suppliers, while their customer markets are often competitive, so they find it difficult to pass the higher cost on to customers who can buy from other HMEs, or else plead unaffordability. The problem, as always with price inflation, is managing burden-sharing, both between HMEs and suppliers, and between HMEs and customers. In other words, in a market transaction where neither the supply nor the demand side has created the underlying problem, is it possible to ensure that the two sides are able to find a compromise solution, so that each one carries some share of the burden? What is possible will depend on the nature of competition in the different markets. On the supply side of HMEs markets, transactions where (many) HMEs purchase products for further production or for on-selling, farmers or urban retailers are likely to have short-side power, because they are fewer in number than the HMEs on the other side of their market. Therefore, they will dominate price negotiations, *unless* they see a longer-term gain in burden-sharing in the form of transaction cost efficiencies. The HMEs are thus likely to carry the cost of inflation. In the freely competitive markets where (many) HMEs sell products to (many) customers, some degree of burden-sharing is possible, though it would need an informal but legitimate regulatory authority, which is both able to determine some form of compromise and to communicate this to market participants. But in situations like that in Zimbabwe, where unofficial exchange rate changes are very frequent, this is an impossible administrative burden for any regulatory authority, formal or informal, so that the outcome is left to individual transactors.

It is also important to underline that there are value chains which involve only HMEs or small enterprises – that is, where the lead firm is itself an HME. Some of these may outsource segments of manufacture to highly localised subcontractors to manage risk and ensure delivery. These chains might be better labelled cooperatives than standard value chains, insofar as there is generally no fixed “lead firm” organising smaller subcontractors, and extracting the largest share of the economic rent acquired by a chain as a whole, so that subcontractors have much greater power over pricing and switching. These are found in industries like furniture and metalwork home-fittings, both household and commercial, in many African cities, such as the one in Keko, Dar es Salaam, discussed above. Others may be more like “standard” VCs – for example, Burundian immigrants manufacturing cooking/heating charcoal production in Lilongwe and outsourcing distribution to local female-run HMEs. Or *boda boda* riders – in most African cities almost entirely young men – working as necessity entrepreneurs. Some

boda boda riders operate independently and own their own bike – new Chinese motorbikes sell for about USD1,000 in Dar es Salaam – but most are subcontractors for richer informal opportunity entrepreneurs, who own three or four motorbikes, renting them out to drivers, who can buy their bikes after a year or two of renting.

We turn now to horizontal interactions, competitive relations amongst firms operating at the same stage of their VCs in the same product market. In retail, many HMEs do compete successfully with formal enterprises, obtaining some competitive advantage using quantity – through repackaging products in lower volumes to allow more appropriate pricing and storage requirements for people on low incomes, which formal retailers cannot easily do – or else space – for example, retail HMEs may locate themselves right outside the door of a formal retailer, and perhaps be supplied by a formal enterprise competing with the retailer, or they may locate in the middle of a neighbourhood, nearer to other low-income residents' homes than is possible for formal businesses – or perhaps time – retail HMEs are more likely to open earlier and close later than more formal firms. Effective competition also allows for some upward price mobility on a per unit basis, which can improve HMEs profitability.

Given the preponderance of the microenterprise sector in many African cities, HMEs collectively may have considerable impact on determining the distribution of profitability in the formal sector, especially where formal firms make extensive use of downstream HMEs to distribute their goods and services. For those HMEs, inclusion in these VCs will almost certainly mean a rise in profitability, as even though they may be forced to carry much of their cost, they still get access through the VC to well-known consumer products for which there may be considerable demand even from low-income households. On the other hand, HMEs excluded from these VCs are likely to face shrinking market opportunities. HMEs incorporated into formal enterprise-led VCs are likely to be necessity entrepreneurs, as there is limited room for manoeuvre on pricing or on innovation and diversification. But at the same time, being incorporated means that HMEs are forced to adopt some opportunity entrepreneurial characteristics if they do not already have them, such as written accounts and a bank account, creating potential future openings.

However, HMEs in vertical VC relationships need to organise themselves to challenge a lead firm's power within the chain. Effective negotiating power will depend on whether significant numbers of HMEs can be brought together for collective action through associations, against lead firms, a process that takes time and resources (Harvey, 2019). There are great difficulties organising these workers, who do not have a single workplace and often not a single employer. The neighbourhood may become a major organising arena if many workers in one area are working for one or a few contractors. A lead firm, or indeed a business association of lead firms, may help to promote a process within a specific product VC, as there would be benefits to the formal firms of dealing with subcontractors through an organised joint process. Collective action processes are double edged: they could support income growth and enterprise sustainability of HMEs, or else be a mechanism of governance and subordination.

Indeed, they could be both simultaneously – it depends on the institutional design of linkages and the distribution of benefits.

In addressing VCs, the "market system development" (MSD) or the "making markets work for the poor" (M4P) approach[34] will be useful. M4P is similar to the entrepreneurial ecosystems discussed above, in recognising that small enterprises face challenges across multiple dimensions and identifying the need for coordination across these dimensions, by building or adapting institutions to address them together. But while the entrepreneurial ecosystem starts from an individual firm perspective, the M4P approach starts from a product market VC perspective – that is, it recognises that each firm operates by interacting in networks of many other firms, both formal and informal. It sees "the market" as a complex system involving many stakeholders, both in the core market itself – the supply and demand of the product itself – and in the core's supportive functions – the provision of infrastructure, capital, skills, technology and information – and the market's governance framework – the provision and enforcement of rules, including laws, regulations, standards and informal norms. M4P examines how to build these features into product markets supplied by poor producers, but recognises that each market system is unique: a specific value chain or industry, in a specific city, requires a focused analysis and understanding, rather than attempting to identify a "one-size-fits-all" model.

M4P was developed initially for use by aid donors in rural agricultural product markets, but is increasingly seen to also provide useful insights for industrial and service sectors in urban areas, despite the differences in scale, density and proximity. McGranahan et al. (2017) argue that market systems development approaches need to take account of how systemic aspects of cities, in particular agglomeration and the urban land nexus, have led to spontaneous order (that is, dynamic, open, emergent non-equilibrium states) – that is, how the spatial allocation of activities and people within cities connects to value chains and markets.

To conclude this sub-section, it is worth reminding ourselves that linkages between HMEs and formal enterprise VCs, both vertical and horizontal, underline again the importance of distinguishing amongst sectors when analysing HMEs. Their sector helps to shape (vertical) relations between HMEs and their suppliers and customers, including their relative market power over prices for inputs and outputs, as well as possibilities for competition and cooperation amongst HMEs and horizontal interactions between them and formal enterprises. HMEs' relations with formal enterprises also interact with agglomeration possibilities and with innovation opportunities, as well as their need for and access to credit.

F. HME associations and organisations

The final cell in Table 2 looks at collective action amongst groups of HMEs, both economic and political, including their voice in policy debates, and thus is situated in

[34] See BEAM Exchange (nd; and 2015).

the meso dimension along the rows and in the state-centred or decentralised dimension of the columns. Broadly speaking, we can identify two types of HME association – firstly, national, regional or city-based associations, which are usually size-based formal organisations – that is, their members are micro and small enterprises – and secondly, very localised, mostly informally organised, networks of HMEs focused either on their sector or on their spatial location, and often on both.

Organisations of the first type are found in all the NDED cities, often as part of national organisations. In Nigeria and Ghana, long-standing associations are organised along professional lines but with a trade union orientation, that is, concerned with members' incomes, wellbeing and long-term security. In Ghana, there are organisations like the Ghana Beautician Association and the Ghana National Tailors and Dressmakers Association (GNTDA), which claims over 550 branches and over 45,000 members as well as 65,000 young apprentices.[35] The Ghana Union of Traders Association (GUTA) is an umbrella body with no membership fees. It covers various sector/product associations of traders in food, household products, clothing and shoes, machinery and appliances, electronics and so on, but does not mobilise HMEs without business premises or permits (that is, most HMEs). GUTA has a strong voice in national policy and is seen to have helped to lower VAT and import duties through a combination of strikes and dialogue (IMED, 2016).

In Nigeria, these include the Nigerian Union of Tailors, the Association of Cosmetologists, Hairdressers and Beauticians of Nigeria, the National Association of Nigerian Traders, and the National Union of Road Transport Workers (NURTW), which started in 1978 and claimed 96,000 members in 2005. The latter is now based on the *agbero* parking touts, from whom it draws large amounts of revenue, and is in turn closely linked to the All Progressives Congress party, which dominates the Lagos State government (Agbiboa, 2018).

Aside from NURTW's specific focus on the *agberos,* these organisations do not mobilise HMEs. A more recently established organisation, which is aimed at the latter and is closely involved in policy debates at different levels of government, is the Federation of Informal Workers of Nigeria (FIWON), started in 2010, which now has 170 affiliated state and local organisations, with 50,000 members, 60% being women. FIWON covers a wide range of market traders as well as service people in household and machine repairs and maintenance.

In the southern African cities, associations are less based on professions but are more general, focusing on all small and micro enterprises. Many are linked to political parties, trade unions or to formal business associations. Harare has a Small and Medium Enterprises Association of Zimbabwe (SMEAZ) and the Zimbabwe Chamber of Small and Medium Enterprises (ZCSME), neither of which mobilise microenterprises. But the Zimbabwe Chamber of Informal Economy Associations (ZCIEA) was originally set up by the Zimbabwe Congress of Trade Unions (aligned with the opposition

[35] See GNTDA website.

Citizens Coalition for Change (CCC), formerly the Movement for Democratic Change (MDC)). ZCIEA is now independent of the ZCTU and affiliated to StreetNet International. There is also the independent Vendors Initiative for Social and Economic Transformation (VISET), which claimed 68,000 members in 2022. Both the Zimbabwe Congress of Trade Unions and the Zimbabwe Federation of Trade Unions have informal sector desks.

In Lilongwe, there are several small business organisations – the National Association of Small and Medium Enterprises (NASME), the Small and Medium Enterprise Association (SMEA), the Chamber for Small and Medium Enterprises – who organise businesses larger than HMEs and other microenterprises. But more focused on HMEs are the Malawi Union for the Informal Sector (MUFIS), with 18,000 members, also affiliated to StreetNet, and the Lilongwe Urban Vendors Association (LUVA), where different leadership factions are closely tied to national political parties, so LUVA has elections after national elections and its leadership changes in line with the national ruling party. LUVA has a non-voting representative on the city council. MUFIS lobbies for the informal sector in local government policymaking and has led discussions between the Lilongwe City Council and traders. It educates traders on local government laws and regulations as well as on technical skills (welding, electricians, carpentry).

In Dar es Salaam, VIBINDO is an independent umbrella group started in 1995 for smaller organisations (minimum five enterprises), to which about 200 organisations in Dar belong,[36] including individual market traders' groups, tailoring, metal and wood fabrication and maintenance. They claim a total of about 68,000 enterprises nationally as members. Its services include policy lobbying, skills training, financial services and micro insurance, and procurement and security of market spaces. VIBINDO is a member of the Tanzania Private Sector Federation, a key business association of large formal businesses, and cooperates closely with some international donors. SHIUMA[37] is an association closer to the Tanzanian government, set up in 2014 in response to VIBINDO. When the government ordered the relocation of micro entrepreneurs in 2022, SHIUMA was involved in identifying new business areas and encouraging HMEs to move, by sharing state information and organising state–trader meetings.

The membership numbers of these organisations are relatively small, at least compared to the numbers of HMEs and microenterprises in their city/country. Almost all the individual HMEs that NDED researchers interviewed in the five cities did not belong to these associations, and in most cases, the HMEs did not even know of their existence. There are multiple obstacles both to organising people earning their livelihoods through HMEs, and to consolidating the associations. Not only do most of these people lack formal rights as employees or businesses, but they lack an identity

[36] Though they list only 28 organisation members in Dar es Salaam on their website, as well as about 125 in the rest of Tanzania. See https://vibindo.or.tz.
[37] SHIUMA stands for Shilika la Umoja wa Machinga Tanzania (literally the Association of Roaming Businessmen in Tanzania), or the Federation of Vendors Associations.

as “organisable workers”, as there is no single employer, they cover a broad jurisdiction, having both multiple occupations and sectors, often differentiated by gender, and wide geographical dispersion, even within a city. People in HME-type situations have little power to strike or otherwise withhold their labour in ways which will create disruption for powerholders. Not surprisingly, organisations have a low income base – many survive financially on grants from foreign aid organisations and philanthropies. As a result, they have relatively few organisers compared to the economic and physical terrain they need to cover. As noted, many of the associations are riven with political differences and personal rivalries, as suggested by their leadership changing to match a change in the national ruling party. The associations are often not well consolidated, with erratic links with their members and limited participation of members in organisational processes and negotiations. As a result of all these factors, many national- or city-based associations offer “lowest common denominator” services, such as access to broad-based credit, skills training or general social security programmes, which all their members can access, rather than services directed to the more specific needs of particular sub-groups of members. For similar reasons, the associations may in theory connect HMEs with the ruling coalitions in the PS, as indicated by the associations’ role in either national or local policy discussions. But the positions of these large associations in policy discussions generally remain very broad and, as was reflected in discussions with officials of several associations we spoke to in Harare, the impact is often greater on the income and future prospects of their professional leadership than on the day-to-day livelihoods of their grassroots membership.

FIWON in Nigeria, ZCIEA in Zimbabwe and MUFIS in Malawi are all affiliated to StreetNet International, an organisation of street traders with nearly 1 million members in 61 national organisations, which is part of a global movement of more than 500 informal worker associations in 90 countries, involving around 5 million people. This also includes the International Domestic Workers Federation, HomeNets (a regional network of home-based workers), and an alliance of waste-picker groups (Chen and Carré, 2020: 17).[38] The global movement draws its inspiration from the Self Employed Women’s Association of India (SEWA), started in 1972 by the Women’s Wing of the Textile Labour Association, India’s oldest and largest union. SEWA was accepted as an affiliate by the International Union of Food and Allied Workers (IUF) in 1983. SEWA has about 2 million members and organises financial services, social security, childcare and healthcare services for them. SEWA helped to form WIEGO as a research entity in the early 1990s and SEWA and WIEGO, together with the IUF and other organisations, have helped build the global movement, which itself offers a forum for national leaders to share information on strategies and learn from successes and failures elsewhere. SEWA’s own history, as well as that of many StreetNet affiliates and of VIBINDO, also underlines the need for HME associations to get support as they emerge, from unions,

[38] See also the StreetNet International website (accessed 20 April 2026).

NGOs, research organisations, formal business associations and even from lead companies.[39]

WIEGO focuses on informal worker organisations' struggles with what they call "powerful actors", private or public. As noted above, in the discussion on formalisation, WIEGO suggests that a better balance between sticks and carrots will encourage greater business formalisation: that is, instead of formalisation offering only costs to HMEs in the form of higher taxes, more emphasis needs to be placed on the benefits of formalisation, including improved access to spaces, better infrastructural services and greater security.[40] Of course, this rebalancing is often done in principle, but very seldom delivered. But WIEGO argues strongly that this shift in balance will only follow from the inclusion in policy processes of informal worker (or HME) organisations, so that initiatives intended to assist them fail to take their needs and requirements into account.[41] For example, as discussed above, government agencies set up new, apparently well laid-out and potentially efficient trading markets, but at sites with small numbers of possible customers, meaning that vendors choose not to locate there, and the new market stands empty, often for years.

WIEGO distinguishes between negotiation processes or platforms, based on a set of questions: how the process is instigated, which counterparties are involved, what issues are addressed, and who represents the HMEs and workers (Carré, 2013; Carré et al., 2018).[42] Implicit in these questions, but offering a useful framework, is the distinction between "everyday politics" versus "the political settlement" as alternative hybrid governance modes. The platforms include "day-to-day" negotiations over space, pay or infrastructure, which are likely to be localised, and ad hoc negotiations over changes in access to space or to amenities, which may initially involve local associations affected by a one-off change in daily practices, such as the planned sale of a marketplace to enable property development, but may turn into a protracted struggle involving broader interests. Consultations set up by public authorities, or dialogues and "roundtables" instigated by HME-linked organisations, probably reflect broader processes covering a larger part, or even all, of a city, and involvement of organisations and agencies with a broader remit. Finally, regular committees and statutory negotiations may be set up after initial ad hoc negotiations led to more permanent recognition of HME associations. WIEGO also promotes the use of national courts to set legal standards which can be used as leverage in local negotiations, and of multilateral international organisations, particularly the ILO, to put pressure on national governments.

WIEGO focuses on using political struggles to move up the sequence of negotiation platforms as a way to build informal labour organisations, and argues in effect for using top-down pressure tactics (the courts, international pressure) to substitute for informal

[39] See Harvey (2019) on IKEA.
[40] See Chen et al. (2020: Conclusion), in Chen and Carré (eds.) (2020).
[41] See Carré et al. (2018).

labour's limited "direct pressure" tactics from below. We can evaluate the success of their approach by looking at FIWON's own self-assessment in 2021 (StreetNet, 2021), more than ten years after their establishment and five years after joining StreetNet. FIWON's general secretary, Gbenga Komolafe, suggested in its self-assessment that

> "[t]he most important achievement of FIWON … is the attention. … Informal economy workers are more appreciated now [and] officials are much more careful about how they deal with our members and conscious that people will resist the infringement of their rights."

He concluded: "My advice is to be patient … It is extremely difficult to organize in the informal economy". The organisation reported limited success in its main focus areas, as the repeated use of the word "some" suggests:

1. Social protection: some policy input, but little impact on the content of the micro-pension scheme and low take-up by FIWON members;
2. Ending harassment and extortion of HMEs: "some success" in stopping random arrests of vendors and in limiting evictions; and
3. Broad "soft" skills: some states have trained some workers on occupational safety issues, and the central bank has done some financial skills training.

WIEGO's focus on engagement with "powerful actors" (Carré et al., 2018: 1) means it pays less attention to building highly localised associations, which are more likely to emerge from HMEs market- or regulatory-related business activities, including sharing of linkages, space or credit-provision, or addressing common challenges such as goods security, GBV, extortion or long-term social protection. Because these services are valuable to individual HMEs from a cost and production perspective, highly local organisations focusing on them can often be better consolidated than those which derive more directly from political struggles. For example, we spoke to wood dealers in Area 25, Lilongwe, who have a local traders' group which has existed for over 20 years. These more decentralised and often informal groups are smaller and more focused than national or city associations, being based on spatial and/or sectoral operating networks, and built from "the bottom up": the participants know each other and recognise the agglomeration benefits they obtain by belonging to the group. The groups facilitate access to physical markets, resolve disputes both internally amongst members and between the group and outside parties, allow for collaboration in negotiating prices with formal enterprises, and cooperate to use collective capacity in managing demand peaks and troughs. They can make a difference at a very localised level, for example in marketplace planning, but their small, localised membership mitigates against one individual group having much clout in high-level policy debates or in government programmes.

One way to bring smaller informal HME groupings into local policy discussions and programmes is to use them as vehicles for "indirect formalisation" of individual HMEs. As discussed above, standard formalisation processes aim to register individual HMEs with the state, but the problem is that these standard programmes have costs for individual HMEs, higher taxes and reporting regulations in particular, but few, or even

no, offsetting benefits in terms of the state providing improved services or market access. State interventions, such as training, credit, market information or space allocation, are aimed at individual registered HMEs but almost always do not reach the vast bulk of their target audience.

Based on their rough estimate that only 30% of HMEs can be formalised directly by the state, Donath Olomi and his colleagues at the Institute of Management and Entrepreneurship Development (IMED) in Dar es Salaam argue that the approach to registration with the state should be reversed. Instead of top-down direct formalisation, it should be shifted to bottom-up *indirect formalisation* (IF), meaning registration not of individual enterprises, but rather of local informal microenterprise groups, coops and associations (IMED, 2016; Olomi et al., 2018). The state in other words should "outsource" enterprise formalisation to localised associations, focusing on assisting members to manage their interactions with the state on taxation, subsidies and market spaces. IF will not mean a uniform set of steps for every HME group, but different processes (based on the same rules) depending on each association's sector, spatial features and existing structure. But involvement of an association in IF is a key part of progress for a group within a cluster, sector or spatial location (as discussed in Section 5) – a stable association with a codified organisational mandate on linking with relevant formal agencies and rules on the rights and obligations of members.

Many of these associations already exist, usually based on both sector and spatial criteria, as discussed above: for example, the construction timber group in Area 25, Lilongwe, the furniture producers value chain in Keko, Dar es Salaam, or the many market queen groups in Accra. Even if these are themselves informal in many respects, including in regard to membership processes and fees, they provide a number of services to their members, as discussed above,[43] including market price information, joint negotiation for bulk purchase and transport of inputs and for access to markets, security for entrepreneurs and their goods and finance, self-regulation of their own product markets, access to pension and medical insurance schemes, and credit to members, in sum, helping members to manage their relations with agents across a number of markets – finance, labour, infrastructure, product inputs and outputs, welfare.

IF will require informal associations to become more formalised themselves – that is, to have a written constitution or articles of association, a code of conduct and similar documentation, to have elected officials, physical and electronic addresses, and a bank account. Many of the localised associations may have some or all of these features already, if they are collecting and distributing funds for their members. By registering these associations formally with local governments, both their scope and the policy reach of the latter can potentially be significantly expanded.

[43] See also IMED (2016: Table 9.4, page 97) for the four countries studied: Tanzania, Kenya, Rwanda and Ghana.

Indirect formalisation changes the meaning of codification for individual HMEs from direct registration with the state itself, to “traceability”, meaning proof of membership of a registered group or association, allowing a state agency or a private sector or third sector entity to find an individual HME through its group (IMED, 2016; Olomi et al., 2018). From the individual HME perspective, being in an association should make it more possible for it to access joint credit facilities, joint public funding or be included in tenders.

Processes for traceability may depend on member HMEs’ sector and spatial needs, but it will likely require members to have a mobile phone link, and, as is already done in Ghana, a digital address and a TIN (tax identification number). Traceability will in many circumstances improve the state’s ability to collect tax revenues from HMEs, while informal associations may choose to assist in tax collection, in exchange for expanded delivery of public services to members. IMED’s (2016) argument presents a sensible solution to the formalisation issue, though one not yet properly tried by policymakers. But as they point out without providing details (see Tables 9.3 and 9.4), some local governments are already offering services to associations, including working with the latter to support self-regulation (and compliance with by-laws), offering health insurance schemes, providing credit to associations for on-lending to members and training on technical and business skills. Once linked to the state via IF, associations will be able to extend their offerings to include services offered by state programmes, on enterprise development (including working with entrepreneurial and market systems development ecosystems), skills training, joint access to credit, insurance or social security, and possibly joint subsidies and joint participation in state tenders.

Thus group registration means IF will contribute to stronger associations, allowing them to expand membership, though there is likely to be an optimal size of membership linked to a group’s sectoral and spatial characteristics. And, through their links with the state, informal associations can collaborate with each other and possibly also with residents’ associations, both in programmes and in policy discussions. There are also risks in this approach which should be noted – for example, using registered informal groups as vehicles for government programmes carries some potential for corruption and for political favouritism.

IMED’s (2016) rough 30–70 split of microenterprises between those which, in their view, can be directly formalised and those for which indirect formalisation may be more appropriate, suggests a link between the approach to registration and the opportunity/necessity split amongst entrepreneurs used extensively in this paper. In other words, the IF group-oriented route may be more appropriate for necessity HMEs, while opportunity HMEs may be capable of pursuing a more direct path. This requires an approach to ex ante categorisation of enterprises into each category, but that also presupposes the need for some sort of “graduation” process for microenterprises, a set of criteria to determine when a particular enterprise should shift from the necessity category to the opportunity. A standard set of criteria would focus on one or both of labour force size and financial turnover, but this may overlook many opportunity

entrepreneurs who choose to stay small, with regard to their labour force (which then places a ceiling on their turnover), because this provides greater flexibility. But perhaps a better starting point for thinking about the upward "graduation" of HMEs would be to ask *who* should be making the decision about when an enterprise is ready to move up: the microenterprise itself, agencies in the national state or the local state responsible for business registration, or the local informal microenterprise association to which an HME is affiliated? Since indirect formalisation is a "bottom-up" group process, there is a strong case for the latter – in other words, an HME association could establish a labour force or capital asset size criterion, above which affiliated enterprises would be moved on to a business association for larger enterprises. Since each association will provide its own range of services to its members, and that range will depend heavily on the sector the HMEs are in and their spatial location, that decision will depend in part on what those services are, and the "cost–benefit" distribution of each one amongst the members. If members are accessing loans and the capital needed by an HME has grown too big, or members are getting skills training but a microenterprise needs a different set of skills, or if members are obtaining social protection benefits and a microenterprise's staff has grown to be significantly larger than others', this should be recognised by the group, and upward graduation encouraged (or required).

7. Conclusion

Section 5 above outlined the meaning of "progress" for the NDED domain, where our research showed that there has been limited overall progress for the domain as a whole across the five cities. In each city, there remain a vast number of people who continue to earn their livelihoods within the domain, that is, running HMEs or working in HMEs run by family members, and there is no sign of that disappearing any time soon. But the HMEs also provide an important service to consumers in their neighbourhoods, helping them to manage poverty. However, as noted at the beginning of Section 5, and hopefully exemplified throughout Section 6, we need to look at HMEs not as a homogeneous group, but in a more differentiated way, distinguishing them from larger firms not simply by legal status and labour force size, but also distinguishing them from each other, in terms of sector, spatial location and gender, and on their approach to risk and their markets, as either necessity or opportunity entrepreneurs. From this follows that ex post macro-level measures of progress in the domain, such as higher incomes per capita across a city, or lower poverty or inequality ratios, are likely to be of limited value as criteria of progress, or in understanding whether and how policies might (or might not) actually have made a difference to HMEs. Even standard broad-brush policies will have differential relative impacts – that is, winners and losers amongst HMEs. Instead, we defined progress in Section 5 for a single HME as meaning greater regularity, in Hart's sense – that is, work which is stable and predictable, with regular and routinised operations, a fixed location and hours and yielding a secure income, regular, fixed and relatively permanent. For groups of HMEs in the same industrial cluster or spatial location, progress refers to the existence of a stable organisation (or organisations) with codified rules about its mandate and the

rights and obligations of its members, including connecting members to relevant formal state and market agencies.

Secondly, we need to look at HMEs much more closely from the "bottom up", both individual HMEs – at the micro-level – and at sectoral and spatial clusters of HMEs across a city – at the meso-level. As Section 6.F concluded, building HME organisations by starting at a very localised level – is essential and underlines the value of a structured framework such as Table 2. Cells A to E in the table – focused respectively on formalisation, factor supplies, hybrid governance, agglomeration and value chains – all connect with localised informal associations, cell F, in ways that are not straightforwardly the case for national or city-based organisations focused only on distinguishing enterprises on the basis of their labour force size.

To fully understand an HME, or a group of HMEs, and to project the impact of future local government policy interventions, we need to examine its (or their) historical or evolutionary processes, including in their urban space(s). This was not entirely feasible under ACRC's resource and time constraints, but we have gained some insights by looking at individual HMEs or groups in our different cities. This "bottom-up" sectoral/spatial approach was the underlying idea for the definition of ACRC's "priority complex problem" in the Glen View 8 furniture manufacturing zone in Harare. But the approach suggested there – the bottom-up establishment of a local and inclusive multi-stakeholder committee with representatives of the local HME associations, as well as the local councillors, political party representatives and formal sector stakeholders, including furniture retailers and financial institutions – would not necessarily work in a different sector or space in Harare, or in the furniture sector in Dar es Salaam, or some other city. This seems obvious, but needs to be stated explicitly.

Our approach underlines that an HME's sector is possibly the most critical variable in analysing the enterprise, shaping its geography and its need for access to a physical market space, as well as its competitive and cooperative links, both with other HMEs and with larger formal and informal businesses, defining its needs for credit and skills, and infrastructure and security, and shaping the ways in which "everyday politics" and the PS impact upon it. The sector also underlines the need to understand better the evolution of the physical spaces where HMEs operate – one issue which this paper has not adequately addressed – so that we can recognise how and why some marketplaces become well-established – used by both HMEs and their customers and often (self-)regulated by HMEs – while others do not.

Thirdly, our discussion of the six different dimensions in Table 2 underlined showed the benefit of using "the firm" as a prism to look at HMEs, covering *all* six dimensions – legal status, access to skills and credit, access to physical spaces and infrastructure, often challenging everyday politics, highly imbalanced power relationships when interacting with formal enterprises, and with few well-consolidated and powerful city- or national-level organisations. As we have emphasised, none of the five cities in the NDED domain have solved any of the six dimensions for all HMEs, let alone all six, though the severity of each differs across cities. All of our cities have very large

numbers of HMEs facing problems in each of the six dimensions. Our discussion of the six dimensions further underlined that success *often* results from linking effects across several of the dimensions. *The policy argument is that there is no overarching policy argument: **none** of these dimensions offers a magic bullet to address the problems of HMEs across a city, and there is no "one-size-fits-all" recipe for how to link the dimensions, whether across cities or across sectors or spaces. The only way forward is to analyse a group of HMEs in its local, sectoral and spatial context, across all six dimensions, to come up with bespoke policies for that particular group.*

Fourthly, we argued that the necessity–opportunity (or pull–push) distinction is a very useful starting point for distinguishing amongst HME entrepreneurs' motivations and attitudes towards risk, which partly reflect different class positions: the necessity group aims to escape poverty, but opportunity entrepreneurs aspire to build small enterprises and achieve middle class or petty bourgeois status, and successful enterprises in this group have already achieved some degree of operational regularity (as defined). As noted above, the two groups require *distinct* entrepreneurial ecosystems – that is, policies and institutions across a number of arenas – credit, technical labour skills, entrepreneurship skills and mentoring, market access and infrastructure – with coordination across these arenas. But distinct policy and implementation ecosystems require a system of ex ante identification of entrepreneurs to assign them to one or other system. In the discussion of necessity and opportunity entrepreneurs in Section 6.B, we identified a range of criteria focusing on the history of the enterprise, the entrepreneur's capabilities, resources and experience, their business skills and their financial behaviour, and these need to be tested and further refined. Expanding financial inclusion is critical for *both* groups of entrepreneurs, but what is needed is *different* across the two: risk categories and borrower thresholds, borrower behaviour (group versus individual), as well as enterprise mentorship approaches following loans, are different, requiring different policy and implementation activities for lenders, and probably different lending institutions. Public agencies need to focus on expanding access to finance for necessity entrepreneurs beyond informal savings clubs and informal moneylenders.

Fifthly, we need to move away from emphasising direct formalisation – individual HMEs registering with the state – to indirect (or incremental) formalisation – state registration of informal localised groups as well as more formal associations, to connect with individual members and move them towards greater formalisation, meaning legal and tax registration. There are many successful informal groupings of HMEs: clusters of enterprises in the same space cooperating in relations with suppliers or in self-regulated markets, or groups connected by working together in HME-led value chains, or connected through similar supply (or demand) linkages with formal enterprises. We discussed the substantial but localised agglomeration benefits which occur as a result of HME cooperation, often linked to informal associations, while agglomeration costs are often more widely dispersed. The benefits include lowering the cost to HMEs of, and increasing their access to, infrastructure services. At the same time, we recognise that some necessity HMEs benefit from the demand stimulus resulting from existing

infrastructure gaps – delivering water to homes, for example, collecting waste or providing transport services for goods and people – and those HMEs will need help with finding alternative livelihoods. Informal groupings and associations may also assist HMEs to deal with specific macroeconomic shocks, by lowering the cost and sharing the burden faced by individual enterprises.

Informal HME groupings, reflecting a “bottom-up” stance, often offer more useful operational linkages with individual HMEs than do formal HME associations, and need to be the focus of local government policy action to engage with HMEs. These groups can participate in processes to build infrastructure and market spaces, as well as financial and skill system development, and public or private funding or tender processes, with only group members getting access to these. And, by linking with the state, they may help to lower the “hassle factor” facing HMEs in everyday politics, by helping the latter become more subject to routinised bureaucratic processes rather than arbitrary individual pressures carried out by gangs or political parties. Evidently, these informal groups will themselves need to become formalised as part of the indirect formalisation process. An important consideration in working with them is to address the potential for corruption, though this is true for existing associations as well.

We argued that everyday politics, the dynamics of which are highly variable, both across cities and within cities, is in general much more relevant to the NDED domain than the ruling coalitions of the PS, which generally has little engagement with, or benefit to, HMEs. Actors in the PS can sometimes be harmful, for example in facilitating land grabs which redraw market (or living) physical spaces to exclude HMEs. Yet the discussion here lays out a new terrain for local governments (elected politicians and bureaucrats) to engage with the domain and draw it more fully into the political settlement, through supporting or assisting localised organisations based on markets – that is, on sector and spatial location.

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