The Political Dynamics of the Informal Sector in Tanzania

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Part II

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Is the informal sector in Tanzania, as formerly presumed, a passive sector seen in a political context, or does is it in fact contain forceful and dynamic entities, capable of either constituting a political opposition, or of alleviating the state by assuming a social security role?

Birdcages, empty passports, stolen license plates and other car 'accessories', bottled fruit juices, live chickens, ready-made food, wood carvings, rice cookers, blenders and home-made toys. All these, among many other various items, are sold in most market places and on street corners by hawkers, or *machinga,* as they are normally called. In fact, a deserted street is a rare sight in the centre of Dar-es-Salaam, and even so, the city holds more than *machinga*. Small *maduka* (shops), hairdressers, small guesthouses, auto- and mechanical-repairs, carpentry and metal-work businesses, just to name a few. Unseen events occur in this city as well. Bribery, favouritism, mutual favours, and other forms of exchange are as much a part of the picture. The informal sector, which encompasses the above amongst others, is a relatively recent term within development studies. The term was first used thirty-two years ago by the International Labour Organisation, however, it is only really within the last decade that a more diverse literature on the subject has developed and research agendas have bestowed this study with newer angles.

The informal sector has often been described as economically stagnant and unproductive, as encompassing the unskilled and the uneducated and politically inactive. Recently, nevertheless, research agendas have changed from focusing merely on the size of the informal sector to the dynamics at play within it. Furthermore, instead of viewing this sector as stagnant and poverty stricken, scholars have changed their outlook to regard it as more dynamic, productive, and particularly to regard it as a political challenger to the state, as well as an alleviator of the state. States in developing countries have also started to view the informal sector as more than just an underground, clandestine, surreptitious part of society, and regulations and policies have changed towards it.

The most remarkable feature of the informal sector is its diversity and heterogeneity. This becomes evident when looking at the social stratification within the sector – it generally comprises individuals from all steps of the economic and educational ladder, the nature of activity taking place, the types of products being produced, the variety of technology used, which types of quarters are being operated in and so forth. Yet, the one aspect which individuals within the informal sector have in common is that they are able to obtain power and control over their own means of subsistence, through their informal activities. In an era where the formal sector was unable to supply jobs, wages that matched the standard of living, public services, and most important of all was unable to supply the country with food, people acquired a greater independence from the state. Following was an era of structural adjustment in which the state retreated further from public life. Despite the presence of a socialist ideology based on visions of equality, communitarianism and a large, protective, omnipresent state, people from the lowest layers to the upper layers of society were left to seek income outside the sphere of the state. What emerged was an economic order, in which the state system, despite persistent attempts to control informal activities, was unable to penetrate.

The state in Tanzania has been forced to change its attitudes towards certain parts of the informal sector greatly in the past few years, making Tanzania an exceptionally interesting case study. The broader reasons for this change in attitude has to a large extent been because of the perseverance and determination of informal economy actors of all social layers to secure themselves an acceptable label in the quest for either survival or additional income. Furthermore, various state actors' political and economic interests in the informal economy has affected and changed regulations that have attempted to impede informal economic activity. The importance of the informal economy to all layers of Tanzanian society has created a whirlpool of various political and economic interests, nurturing the development of new institutions to accommodate these interests, yet simultaneously triggering political resistance.

The main focus of this essay will be to analyse the political dynamics at play within the informal sector and what affect this has on Tanzanian society as a whole. The first part of this essay will attempt to scrutinize and revise some of the main assumptions that have been formed concerning the informal sector – its economic behaviour and relationship to the national economy; its technical and educational characteristics and developments; its relationship to the formal sector and the state;

and lastly its political character. These assumptions have mainly been rather negative towards the informal economy, suggesting its backward and stagnant nature.

The second part will examine in further detail the political dynamics of the informal sector. Particularly, it will explore the existence and importance of civil society within the informal sector – in which ways actors and groups partaking in the informal economy in Tanzania can pose a viable challenge to the state system and in which ways the same can established institutions and organisations to provide social security. This section particularly focuses on the poorer layers of the informal economy. Additionally the second part of this essay will explore a different set of political forces present within the informal economy. This section will specifically focus on different state actors partaking in the informal economy. Power conflicts and political interests at stake concerning the informal economy, and how these power conflicts affect policies and regulations impeding informal sector activity, will be examined.

The 1980s and the 1990s in Tanzania is the period of focus in this essay. It should be mentioned that the literature on particularly the politics of the informal economy in Tanzania is limited and information is therefore only available for certain periods. This essay will therefore largely look at the work of Aili Mari Tripp, as her studies provide a sound representation of this subject as well as the period in focus. Additionally, it should be realised that it is particularly hard to generalise issues of the informal sector due its vast heterogeneity. There are large differences between the different areas of informal economic activities, such as trade and other forms of exchange and production. Within these exist vast differences as well, since the nature of activities and actors involved vary immensely. There will not be specific and individual analysis of each sector, however, where applicable this will be mentioned or commented upon in further detail.

The Problem of Theorising and Defining the Informal Economy

General Theoretical Debates

There are two main and broad theoretical debates that are identified by this essay:

Firstly, a liberal thought, held by authors such as Henrique de Soto, suggests that the informal economy is an excellent example of a well-functioning market-economy, based on the rules of supply and demand. Also, due to its flexible and highly adaptive nature the informal sector is better able to respond to external shocks:

"… microenterprises and the informal sector can be among the most dynamic and healthy sectors in developing countries. They fill an essential role in providing jobs for large numbers of urban workers and adapting both to general patterns of economic growth and to negative shocks. Not only do the informal sector entrepreneurs survive in the face of government subsidized large scale industrialisation, their flexibility and adaptability have allowed them to provide essential goods and services. They provide these goods and services because of their competitiveness, proximity to markets, and their low unit costs."[1]

Secondly, a Marxist thought, which argues that the informal economy is a pool of exploitative elements. Exploitation occurs particularly between the different economically stratified layers of society, as well as gender. The informal economy is particularly being exploited, according to authors such as Joe P. Lugalla and S.V. Sethuraman, as the formal sector enjoys this rich source of cheap and unorganised labour. In fact because of this, these authors argue, the formal sector is deliberately unwilling to develop the informal sector and to aid their organisation and fight for labour rights:

"The informal sector is now an arena of competition, exploitation, and struggle between the desperate 'chronic poor' and the others."[2]

These two main theoretical thoughts are criticised throughout this essay. The liberal notion fails to understand the importance of social and political networks to informal actors. The informal economy is thus not necessarily based on laws of supply and demand but on 'rules of sociability', as

[1] Nsana, Bernard & Knudsen, Harald & Kristiansen, Stein (1994), pg. 2
[2] Lugalle, Joe P. (1997), pg. 442

Larissa Lomnitz explains.[3] Furthermore, this thought is blind to the fact that exploitation does in fact occur within this sector, for the aim of economic goals, but also, and for the sake of this essay more importantly, for the aim of political goals. The Marxist notion of exploitation also fails to understand the extent of social and political networks, particularly the often close connections between the formal and the informal sector. It thereby fails to understand the informal economy is not simply stratified along economic lines, but also along political lines.

This essay seeks to compose a synthesis of these two main thoughts, arguing that the informal sector is in fact an incredibly dynamic sector encompassing both highly productive and flexible elements capable of responding promptly to the changing market conditions, as well as extremely exploitative elements, neglecting laws of even the most basic human and labour rights. The immense importance of this sector to the national economy, as well as its ability to compete directly with the formal economy has naturally generated a vast array of political interests, both by formal and informal actors, aimed at various aspects of this sector. Political conflicts concerning the informal economy in Tanzania have arisen frequently due to different political and economic interests. This in turn has ignited the formation of several groups and institutions aimed at securing their own specific political and economic interest. Additionally, in order to combat exploitation and social exclusion several institutions have arisen, with the aim of social protection and security. All of the above has contributed to the development of an incredibly politically dynamic sector, constituting vital aspects of civil society in Tanzania.

Definitions

From being denoted as a criminal, unproductive, clandestine area of society, to being connected to growth, production and services, the informal sector has through decades been defined and characterised in various, often contradictory, ways.

Multi-criteria

According to Jacques Charmes, the concept of the informal sector first surfaced within literature in the 1970s.[4] Particularly, in the ILO report of 1972 concerning Kenyan employment one of the first

[3] Lomnitz, Larissa (1988)
[4] See Charmes, Jaques in Turnham, David & Salomé, Bernard & Schwarz, Antoine (eds.) (1990), pg. 11

attempts at coining together a concrete definition of this sector was made. The report identified seven key characteristics of informal sector activity:

i. Low entry costs, and general ease of entry.
ii. Unregulated and competitive markets.
iii. Reliance on indigenous resources.
iv. Family ownership of enterprises.
v. Small scale of operation.
vi. Labour intensive and simple technology.
vii. Skills acquired outside formal schooling system.[5]

It is ambiguous whether all these criteria have to be met before an enterprise, business relationship or other is characterised as informal, or whether some or simply one criteria has to be met. A problem with this multi-criteria definition, as Charmes noted, is that it fails to understand the heterogeneous nature of activities and actors within this sector.[6] This definition particularly assumes that informal activities are of a rather primitive nature and that this sector is merely a junkyard consisting of the poorest and most marginalised in society. It fails to understand the dual nature of the informal economy – the fact that often it is intertwined into the formal economy. Certain individuals, as an example, might chose to sub-contract, taking the form of for example a taxi-driver working informally for a man who owns cars. Sub-contracting does not fit into any of the seven criteria above. Additionally, informal exchange in forms of favouritism, bribes and parallel commodity exchange does not fit into this category.

It is therefore difficult, through these multi-criteria, to interpret whether an individual works solely in one or the other sector, or in both. Carpenters or construction workers rented on a day to day basis by a formal firm who needs cheap and flexible labour is an example of this. A last criticism of this way of defining the informal sector is the fact that it assumes the use of simple or adapted technology, as this is in fact not always the case. The problem with assuming the use of simple technology is that one already assumes that the informal sector is of a stagnant nature. In other words, this definition implies that this sector is incapable to develop itself and unable to have an effect on the country's economic situation and growth. A more general definition is needed that explains the *dynamic* of the sector rather than simply attempts to assume its superficial character.

[5] ILO (1972)
[6] Charmes, Jaques in Turnham, David & Salomé, Bernard & Schwarz, Antoine (eds.) (1990), pg. 15

The State

Several authors have defined the informal sector in relations to the state: Aili Mari Tripp notes that informal activities are "…economic activities that are subject to regulations but that, in fact, operate outside the control of the state."[7] De Soto understood the informal sector in terms of legal status, and that "…the informal sector comprises all activities that fall outside the reach of government regulations."[8] Also, the Centre for Development Research in Copenhagen explains that informal activities are "…economic activities that are unregistered and exist outside the state regulations… often activity based on 'informal' access to and distribution of state-allocated resources; favourable loans for investment; relief from or avoidance of taxes or duties; the 'blind eye' of police or customs; or spin-offs from parastatal corruption."[9]

Nevertheless, all of the above ways of identifying this sector seem to be built on a mere dichotomy of the state versus the non-state.[10] Thus, one is left with a negative definition of the informal sector – simply an understanding of what it is *not.* This, once again, fails to understand the dual nature of the informal economy and the fact that informal activities and formal activities can in fact be co-dependent.

Looking at the state as a reified structure that reigns above society and particularised interests and the informal sector as its opposite, it is possible to suggest that informal activities, as Mark Wuyts describes them, "…fall outside the range of official statistics…"[11] or, as Janet MacGaffey states: "…are unmeasured and unrecorded…[and]… are carried out in a manner that avoids taxation or in some ways deprives the state of revenue."[12] Nevertheless, seeing the state as an actual structure has drawbacks, as René Lemarchand addresses:

"Treating the state as an 'actual structure' creates the illusion of a more or less elaborate institutional scaffolding separate from the society upon which it rests. To endorse this approach is to make exceedingly short shrift of the

[7] Tripp, Aili Mari (1997), pg. 2
[8] De Soto, H. (1988), in Ranis, Gustav & Stewart, Frances in Navaretti, Giorgio Barba (et.al.) (1999), pg. 83
[9] Centre for Development Research (1995), pg. 41
[10] One is tempted to substitute non-state for society, but this will automatically assume a clear segmentation of the state from the society, and this needs a longer discussion.
[11] Wuyts, Mark (year unavailable), pg. 6
[12] MacGaffey, Janet in Roitman, Janet L. (1990), pg. 679

historical processes which preside over the birth of the 'actual structure', and of the manner in which it is experienced and internalised by social actors."[13]

Thus, empirically it becomes more problematic to simply see the informal sector as a deprivation of state revenue, for that is not always the case. The state is often a forum of various interest groups. It is a field in which political games are constantly being played, and collection of revenue, whether personal or collective are accumulated through other sources than merely taxation. To conclude a final definition of the informal sector is thus highly problematic, as one risks oversimplifying the concept and thereby neglecting the dynamics at play.

Black Economy and Parallel Economy

For the sake of this essay, it is necessary to differentiate between a black and parallel economy, as the two can be placed under the category as informal activity. It is often that these are used interchangeably, but there are in fact distinct differences:

A parallel market is the *illegal* selling of otherwise *legal* goods. The parallel market runs outside and independently of the formal market (i.e. selling the same type of products), but producers can often sell their goods at higher prices than the official market prices. Also, public monopolies, such as restrictions to selling a certain product to other than the state, are often ignored. A particular characteristic of parallel markets is the selling of products across borders, particularly to avoid price regulations and other strict government interventions. The black market is the production of *illegal* goods.

Both a parallel economy and a black economy can be identified as an informal economy (i.e. unrecorded, and tax-evading), however, the difference lies in the nature of products. Firstly, informal products are not illegal; they are often products that the formal sector could produce as well. The production of informal products might be illegal, depending on regulations within the country, but could also be legal. Thus the line between legal and illegal activity is rather ambiguous, particularly as not all states have composed a set regulatory framework for this. Also, informal activities are often intertwined with formal activities, for various reasons, such as low cost labour, and so the border between licit and illicit fades.

[13] Lemarchand, René (1992), pg. 180

Thus, informal activities can take on various forms such as vending, hawking, petty trading, small- and micro-scale enterprises, food manufacturing, carpentry, hairdressing, shoe-repair, construction, but also selling of agricultural crops outside the formal market systems and even informal networks of exchange such as bureaucratic favours, clientelism and various forms of corruption.[14] For the sake of this essay, the black economy will not be dealt with.

[14] Lomnitz, Larissa A. (1988), pg. 42

Part I

First Assumption: The Informal Sector as a Stagnant Part of the Economy.

The informal sector has often been viewed as a marginal and backwards part of the national economy. However, by looking at the motives for certain actors to enter this sector it becomes clear that it is in fact a lucrative sector able to supply a sufficient income. Furthermore, it has also been discovered that the informal economy is in fact a largely important component of the national economy.

Growth of the Informal Sector

Several economists have attempted to formulate exact equations of inputs, functions and outputs to explain why, how and when the informal sector increases. The importance of establishing which factors contribute to the size of this sector is to gain an understanding of its nature and contents – in short, is it a poverty-stricken, 'last-resort' sector or is it in fact a lucrative sector able to attract people because of the options of additional incomes?

It should perhaps be noted that there seems to be different methods of measuring the informal sector, often giving different results. Some authors have based it on missing income (i.e. the difference between official income and expenditure and consumption), others have based it on labour participation, monetary estimates (i.e. amount of illegal currency etc.) and analysis of tax returns. [15] Each of these methods have been criticised for various reasons, and so far, not one single method has proven to be fully accurate and reliable. However, the largest problem when measuring this sector concerns its definition. Some surveys have included urban agriculture, others have not[16]. Also, some surveys have defined an informal enterprise as consisting of a maximum of five people, whereas other surveys have included ten people. Nevertheless, despite these differences, it should be possible to look at informal activity trends through the different surveys.

Informal Sector as a 'Last-Resort' Economy

[15] See also , Alexander H & Brink, Rogier van den (1993), pg. 48
[16] i.e. the Tanzanian Labour Survey 1990/91 did not include urban agriculture, whereas the 2000/01 did.

The two main and general points that are often brought forward are the activities taking place within and characteristics of the rural areas, as well as the same within the formal sector, and how this affects the size and level of activity within the informal sector.

Gustav Ranis and Frances Stewart argue that the size of the informal sector depends on the size of the formal sector. If the formal sector cannot supply jobs to absorb the labour surplus and if real wages are too low people will, according to them, seek employment within the informal sector. Also, low wages and low returns in the rural economy will generate a rural to urban migration, providing that people believe they will earn higher wages in the urban economy. According to the International Labour Conference Report no. 6 of 2002 the informal sector grows due to migrants seeking non-existent formal sector jobs, and who are thus forced to find informal employment.[17] Additionally, an urban migration would depend on the costs of entry into the informal sector, as well as general migration costs.[18] Ranis and Stewart, as well as the ILC report thus seem to imply that people migrate into the informal sector when all else fails. It is therefore not a chosen option, but more a relief or 'last-resort' economy, in which people enter for reasons of survival. The informal sector, they seem to indicate, is thus the product of a failed economy, and people seek entry into this sector due to poverty. Jamal and Weeks sums this argument up well:

"… the informal sector in sub-Sahara African countries has become a poverty sector, not just in the sense of low incomes, but also because this is where the unemployed unskilled worker, the landless labourer and the migrant from the marginal small holdings go to survive."[19]

Lugalla, in his 1995 study of the informal sector in Dar-es-Salaam has suggested that the informal sector is more than simply a 'last-resort' economy. His conclusion was drawn from an analysis of 200 households that participated in the informal sector in Dar-es-Salaam. Lugalla discovered that half of the households were in fact members of the middle and upper classes, and the remaining were from lower classes. Both classes[20], he suggested, used the informal sector to gather additional income and to supplement their official income. In fact, it seems rather that this sector is lucrative,

[17] International Labour Conference (2002), pg. 31
[18] Ranis, Gustav & Stewart, Frances in Navaretti, Giorgio Barba (et.al.) (1999), pg. 83-85
[19] Jamal, Vali & Weeks, John (1993), pg. 131
[20] It is rather problematic that Lugalla uses the term 'classes' to describe income groups, as it implies that these groups are identified through ownership (or the lack of) of means of production, which is not necessarily the case. A better term might be social layers, or simply income groups.

as opposed to poverty stricken and stagnant, in the sense that people are drawn to this sector with aims of capital accumulation.

Declining Real Wages and Returns

In the mid 1970s Tanzania was met with severe economic crisis. One of the major consequences of this crisis was a decline in real formal wages, particularly due to severe inflation. Between 1974 and 1988 real wages fell by 83%.[21] This created a shift from formal employment into informal employment,[22] as people sought other income generating activities. Alexander H. Sarris and Rogier van den Brink have noted that in 1976/1977 and onwards underreporting of incomes increased.[23] In other words, the informal sector became a substitute for formal waged employment, as Ranis and Stewart predicted. Yet, in contrary to Jamal and Weeks' assumption that the informal sector is a poverty sector, real household incomes did not decline after 1976/1977, in fact people were able to maintain their real incomes.[24]

Lack of Public Services

An alternative reason for the rise in informal sector activity, besides decreasing real wages, was the lack of public services. Towards the end of the 1970s and throughout the 1980s Tanzania's fiscal situation worsened. State revenue fell drastically, yet the socialist ideology of a large, omnipresent state still remained. The government sought to subsidise agriculture, as well as provide free education and public health facilities. Nevertheless, with minimum revenue the quality of these services fell drastically. Additionally, infrastructure was not maintained and the public transport system worsened. The number of students per teacher (and per chair) rose and health facilities deteriorated radically. Aili Mari Tripp has noted a clear increase in private tutors, private health care and private transport systems *(daladala)* towards the beginning of the 1980s, despite strict restrictions against private services.[25] There was a clear demand for these types of services and people were willing to offer them, partly to attain additional income. Thus, it is possible to view the informal sector, during this time period, as fulfilling services that the state was unable to, and not merely as a 'last-resort' sector.

[21] Tripp, Aili Mari (1997), pg. 3
[22] Wuyts, Mark (year unavailable), pg. 4 and Tripp, Aili Mari (1997), pg. 40
[23] Sarris, Alexander H & Brink, Rogier van den (1993), pg. 158
[24] Sarris, Alexander H & Brink, Rogier van den (1993), pg. 158
[25] See Tripp, Aili Mari (1997)

Consumer Goods, Imports and the Informal Sector

Another explanation for the increase in informal sector activities, besides a drop in real wages, could be the availability of consumer goods, as Gibbon and Raikes observed:

"Indeed, it seems likely that prior to trade liberalisation, many branches of small-scale manufacturing and repair – specifically those substituting for confined/unavailable consumption goods – probably existed on a larger scale then is the case today, when better quality imported versions of most such goods are now freely available."[26]

This theory might hold water when looking at the expansion of informal activity in the 1980s. Maliyamkono and Bagachwa estimated the size of the informal sector by using the labour participation approach. They compiled a survey depicting the number of self-owned, small-scale enterprises that have been established since 1950. It should be noted that this, however, excludes informal services such as teaching and health care. They discovered a clear rise in informal sector activities throughout the decades. Particularly, activities peaked in the period 1980-1987. Also, according to an ILO/JASPA survey in the period 1980-1988 employment creation in the informal sector in Tanzania increased by an average of 6.7% annually, and that the informal sector employed twice as many workers as the formal sector.[27]

Tanzania at that time had harsh restrictions concerning imports in order to protect national industries. With these industries failing to produce at a desirable speed consumption goods were immensely scarce. When looking at this period, one could imagine informal activities burgeoning in an attempt to produce desired consumer goods.

However, the Tanzanian Labour Force Survey of 2000/2001, which dedicated an entire chapter to the informal sector, showed a clear rise from 1990 to 2000 in informal activities. The survey discovered that one of three households (62%) were active in the informal sector in 2000/2001, as opposed to one of four households (42%) in 1990/1991.[28] During the 1990s Tanzania was engaged in a series of structural adjustment programmes and liberalisation. This had the eventual result of trade liberalisation and particularly softening regulations concerning imports. During this period import consumer goods were widely accessible, yet the informal sector continued to flourish. Joe

[26] Gibbon, Peter & Raikes, Phil in Engberg-Petersen, Poul & Gibbon, Peter & Raikes, Phil & Udsholt, Lars (eds.) 996), pg. 276
[27] Nsana, Bernard (et.al) (1994), pg. 11
[28] National Bureau of Statistics Tanzania (2000/2001), pg. 58

Lugalla explains that the availability of import consumer goods increased businesses dependent on these types of goods, such as hairdressers, shoe-repairers and mechanics.[29] This suggests that certain activities within the informal sector are able to produce and establish markets for consumer goods, as well as turn these goods into services. Thereby it is possible to argue that the informal sector encompasses a wide array of activities ranging from production, to trade, to services, and is thus by no means simply a 'last resort', stagnant economic sector.

The Importance of the Informal Economy to the National Economy

It is really only within the last decade or so that actual measurements have been composed in order to assess the informal economy as a percentage of GDP. T.L Maliyamkono and M.S.D Bagachwa were some of the first scholars to measure the size of the informal economy as a percentage of GDP. The significance of this is mainly to understand the importance of the informal economy to the national economy, and by this perhaps obtain a clearer picture of the country's economic situation. Bagachwa and Maliyamkono also state that in order to formulate effective macro-economic policies it is necessary that statistical analysis is complete, seeing that figures representing the levels of savings, consumption, productivity, growth, inflation and unemployment will be "…grossly distorted…" without the inclusion of the informal economy.[30]

Bagachwa and Naho discovered that the informal economy constitutes more than half of the Real Official GDP. With figures ranging from 25% of Real Official GDP in 1969 to 51% in 1985 it is clear that the informal sector is of greater importance to the national economy as opposed to once thought. For the sake of this essay, the importance of acknowledging that the informal economy comprises a large percentage of GDP is to highlight the fact that since it plays such a large economic role, there is no doubt that it plays a large political role as well.

[29] Lugalla, Joe L.P (1997), pg. 445
[30] T.L Maliyamkono & M.S.D Bagachwa (1990), pg. 49

Second Assumption: Informal Sector Actors as Uneducated and Technologically Backwards

As it is implied in the ILO report of 1972, it is often assumed that the informal sector is technologically backwards, uneducated, and unable to evolve technological skills. This was particularly based on the assumption that the informal sector included only the poorer population – an assumption already refuted above. However, as a more diverse literature has appeared on this subject these assumptions have changed, and have been disproved. In fact, it is possible to conclude that certain informal enterprises are just as technologically innovative as many formal sector enterprises and people often have the same level of education in both sectors. As a matter of fact, per Trulsson in his study in north-west Tanzania discovered that only three out of the 26 entrepreneurs he interviewed had not obtained a secondary school degree. In fact, he concludes that the level of education among entrepreneurs is higher than the national average.[31]

As will be seen below, there are certain sectors within the informal economy that are able to produce better quality products than those produced in the formal economy, due to their flexibility, technological skills, and knowledge of the goods they produce.

Sub-Classifications: The 'Traditional' and the 'Modern' Sector

Ranis and Stewart have identified 'sub-classifications' for the informal sector, in order to gain a clearer distinction of dynamic (productive) and stagnant (non-productive) elements within this sector. They have labelled these two sub-classes the 'traditional' and the 'modern'. These labels could prove to be problematic as the traditional-modern dichotomy could confuse the reader. The label 'traditional' is often associated with the age-old, pre-colonial, whereas the label 'modern' is associated with western influences and technology. In fact, as this chapter argues, certain local skills have proven to be equally as adaptive, innovative and productive as western inspired technology.

Returning to Ranis and Stewart's point, the 'traditional' is characterised as:

i. Low capitalisation.
ii. Low labour productivity and income.

[31] Trulsson, Per (1997), pg. 109

iii. Small sizes (three or less)
iv. Static technology (often organised within the home).

This could for example be hawking, shoe shining, petty trading and selling of ready made meals.[32]

And the 'modern' is characterised as:

i. Capital intensive.
ii. Large in size.
iii. Dynamic in technology.
iv. More skilled labour.
v. Labour activity is higher.
vi. Substantial incomes.
vii. Competitive wages. [33]

This could for example be hairdressing, motor vehicle repairs, carpentry and metal works.

It is rather common, Ranis and Stewart explain, that those within the middle- and higher-income earning layers of society have easier access to employment within the 'modern' sector, and those within lower-income earning layers of society often operate within the 'traditional' sector. This is particularly due to the fact that the 'modern' sector is capital intensive. Additionally, the demand of goods produced in different sectors stems from different layers of society. The elite and higher-income earning layers of society typically demand formally produced goods and consumer imports. The middle-income earning layer of society will typically demand goods produced either in the formal sector or within the 'modern' sector of the informal economy. Lastly, the poorer layers of society will demand either informal 'modern' goods or informal 'traditional' goods.

Ranis and Stewart thus conclude that the goods that require more developed technology are based on demand. Demand is in turn based on the level of income. The authors therefore seem to imply that the poorer societies are, the less technologically advanced informal sector activities will be. Additionally, Bernard Nsana, Harald Knudsen and Stein Kristiansen, in a study concerning *Apprenticeship and Entrepreneurial Development in the Tanzanian Informal Sector,* discovered that

[32] Lugalla, Joe L.P. (1997), pg. 446
[33] Ranis, Gustav & Stewart, Frances in Navaretti, Giorgio Barba (et.al.) (1999), pg. 86

due to the increasing labour supply, there is no immediate need for technological development to speed up production, and thus adds to the involution of the informal sector, rather than its evolution.

The Ancient Craft of Blacksmithing

The case of blacksmiths in Tanzania actually disproves Ranis and Stewarts' point above, that the demand of certain goods is based on the level of income of the consumer. Their argument implies that informally produced goods are necessarily of poorer quality than most formally produced goods. They suggest that an informal enterprise producing the same goods as a formal enterprise will find the competition incredibly tough, as the formal enterprises are able to produce better quality products at the same price. This is in fact not the case concerning certain informally goods, such as iron tools.

The development of the craft of blacksmithing in Tanzania is quite fascinating. Blacksmiths have a long history of technical competence and skills[34]. Many local blacksmiths operate informally, but there are several formal, large-scale industries that produce hoes, *jembes*, and other iron tools needed for agricultural production as well. There exists an interesting difference between the informal, local blacksmiths and the formal, large-scale factories. Jens Muller researched this area and argues that the large-scale factories have the technology to produce tools in large quantities, however, the blacksmiths have the local knowledge to produce customer-tailored tools, often of a better quality than the formal factories can produce. The informal, local blacksmiths are often farmers themselves, or have close contacts to farmers, and they are thereby well aware of the different demands for tools used for agricultural production.

Jens Muller explains that there are over thousands of different tools used for different crops, different soil conditions, and different weather conditions. The formal factories are unable to produce such a variety of tools – in fact they usually only produce approximately two varieties of hoes. Many people often buy a hoe from formal factories and bring it to the blacksmith to alter it to the preferred shape and size, as iron is often scarce. Jens Muller furthermore suggested that any farmer, whether wealthy or not, will prefer to buy tools produced by the local blacksmith, rather

[34] Archaeologists have found evidence of iron tools in Tanzania since approximately 500 BC. When the Germans entered Tanzania towards the end of the 19th Century they forbade Blacksmithing (particularly because they would be able to produce guns). The craft of blacksmithing had virtually been forgotten – formally at least. One and a half decades after independence it slowly began to surface, but many local blacksmiths remained informal.

than formally produced tools. Also, local blacksmiths are innovative as they often produce new tools when certain conditions change or when a new crop is introduced.[35]

This age old skill is passed on through an intensive apprenticeship programme. Apprentices are often either related to the blacksmith or within the same ethnic group or village society as the blacksmith. Apprentices are often of great help to the blacksmith, as the production of just one tool requires hard work and constant supervision. The local blacksmithing industry is therefore a good provider of informal education as well.

[35] Muller, Jens (1978), pgs. 59-78

Third Assumption: The Informal as a Separate Sphere from the Formal

It is often the case that the informal sector is seen as a distinct and separate sphere from the state. Many studies concerning the informal sector have mainly focused on activities such as petty trading, which are most likely activities of the poor and marginalised in society. However, it is important also to look at informal activities *within* the formal sector, in which the non-marginalised, better-off actors proceed. These types of activities can take the form of informal exchanges, such as reciprocity (e.g. mutual favours), patron-client networks (e.g. the acquisition of for example licenses), or market exchange (e.g. the selling of formally produced goods privately). Looking at informal activities within the formal sector is significant as it elucidates the point that the informal sector encompasses all levels and aspects of society, and is found in all economic sectors. This will also highlight that the distinction between the economic sphere and the political sphere is dubious, as the state is often used to facilitate economic activity by avoiding bureaucratic red tape. Additionally, it highlights how the informal and the formal sectors are intertwined. Rene Lemarchand explains this clearly:

"Disentangling the formal from the informal is never more complicated than where private and public networks of accumulation interpenetrate each other, where civil servants act as the vectors of corrupt practices that ramify into private entrepreneurship, and there the state itself becomes a vast protection racket."[36]

'Informal Exchange Networks'

Certain types of informal activities within the formal sector are characterised by 'informal exchange networks' as Larissa Lomnitz labelled it.[37] These networks generally involve bureaucratic favours, clientelism and different forms of corruption, such as acquiring material goods and benefits.[38] Looking at these different forms of informal networks illustrates several points: firstly, that the state can be used as an instrument to facilitate informal exchange, secondly that the informal sector can in certain cases alleviate the state, and the nature and extent of state regulation and centralisation can determine the types of informal exchange as well as the types of conflicts that surface.

[36] Lemarchand, René (1992), pg. 188
[37] Lomnitz, Larissa (1988)
[38] Lomnitz, Larissa (1988), pg. 42

The State as an Instrument to Facilitate Informal Exchange – A 'Traditional Modernity'?

Peter Ekeh's article on the 'Two Publics' in Africa highlights the relationship between informality and formality. He attempts to define and locate spheres of morality and amorality. His 'primordial public', which he understands to be based on kin or ethnic group, is the moral sphere. Within this the individual gives material contributions to receive immaterial benefits such as psychological identity and belonging. The 'civic public', encompassing alien institutions and bureaucracy (he often refers to this public as simply the state) is the amoral sphere, from which individuals take, to give to the primordial public. A moral bias discourages the individual to give back i.e. labour or taxes to the civic public, and instead an "…unwritten law of dialectics…" surfaces legitimising the individual to "…rob the civic public in order to strengthen the primordial public."[39] Corruption, embezzlement of funds and lack of accountability emanate from this dialectic, as an individual working in the civic public risks exclusion (or milder sanctions) from his own group if he does not favour his members. Ekeh's suggestion and conclusion is that it is necessary to realise that:

"…the civic public and the primordial public are rivals, that in fact the *civic* public is starved of badly needed morality."[40]

Thus state and society should not be seen as two independent institutions, but rather two spheres enmeshed within each other, where one type of actions (informal networks) is considered to be in line with solidarity, and other types of actions (formal regulations) are seen as alien, and unsocial.

However, the major problem with Ekeh's analysis is that it does not look at the difference in *nature* of various African states. In fact, it seems that the more services the state is able to fulfil the less protruding is the 'primordial' public. There exists a conflict between the informal and the formal, in Ekeh's view, due to the intrinsically 'alien' nature of the state. Ekeh suggests a state that floats above society, that is not rooted in society and has little, if any, legitimacy, as the state bureaucracy and fundamental structure was a foreign invention. This is problematic as Ekeh seems to neglect developments within state consolidation in the post-colonial period, and simply implies that Africans themselves have been passive in their own historical development. He furthermore suggests that African politics possesses a particular traditional character, and this character forms the basis of informalisation. However, it might be true that the colonial administration 'failed' to

[39] Ekeh, Peter P. (1975), pg. 108
[40] Ekeh, Peter P. (1975), pg. 111 (own italics)

annihilate 'pre-colonial' political and social structures, as Patrick Chabal and Jean-Pascal Daloz argue[41], it is nevertheless questionable whether these same structures have remained unchanged since the advent of independence, as Ekeh seems to imply. It is thus wrong to suggest that informality is merely a continuation of 'pre-colonial' notions of politics and thereby suggest the backward nature of African societies. Chabal and Daloz explain well the contradictory nature of the informalisation of politics, as it in part involves the 'traditional' and partly involves the 'modern' spheres, and that this 'contradiction' emanates from a distinct western analytical framework which construes that there exists a distinction between the modern and the traditional:

"It [their argument] emphasises the extent to which Africans operate on several different registers – from the most visibly modern to the most ostensibly traditional – in their everyday lives. The failure to understand the apparently contradictory nature of politics in Africa is itself very largely the result of an analytical convention which tends to assume a paradigmatic dichotomy between the realms of the modern and of the traditional."[42]

Informal Exchange as a 'Safety Valve' for the State

Returning to Ekeh's analysis, it seems to precondition a weak and ineffective state in causing rivalry between these 'two publics'. However, it is necessary to look beyond the idea of the state as an 'alien' structure and focus on the capacity of the state to provide the promised services. One could imagine that there was a less significant need for certain aspects of informal exchange if the state showed a greater degree of efficiency.

Jo Helle-Valle delivers an interesting point concerning the co-existence of the formal and the informal sectors. She explains that in the case of Botswana the informal 'primordial' public coexists well with the formal 'civic' public (modern state), as the state possesses a large degree of legitimacy due to its capacity to provide social services. The informal 'primordial' public is instead a social sphere that deals with exchange (not necessarily material) on a local, and perhaps a more personal plane – alleviating the state. The informal 'primordial' sphere and the formal 'civic' sphere are thus able to complement each other.[43] Aili Mari Tripp argues the same point in suggesting that the informal sector can act as a 'safety valve' for the state, due to the creation of new resources and institutions through the informal sector. Looking at the case of Tanzania, Tripp recognizes new

[41] Chabal, Patrick & Daloz, Jean-Pascal (1999): "Yet it is far from certain that that the colonial administrative experience did in fact eradicate 'pre-colonial' political traditions and lay secure foundations for the proper institutionalization of the state after independence" pg. 11
[42] Chabal, Patrick & Daloz, Jean-Pascal (1999), pg. 46
[43] Helle-Valle Jo (2002)

institutions such as hometown development associations, which are used to build local schools, health facilities and transport facilities amongst others, or the *sungusungu*, (local police forces).[44]

Nature of Informal Exchange

Larissa Lomnitz in her article on "*Informal Exchange Networks in Formal Systems"* has looked at the nature of these networks as well as their dynamics. She describes informality as:

"…not only… a residue of traditionalism, but as an intrinsic element of 'formality' in so far as it is a response to the inadequacies of formalisation."[45]

She argues that the extent and nature of informality within the formal system depends on the efficiency of the formal system. With a more efficient state being able to provide services there would be little need for informal exchanges. She identifies three types of networks:

i. Reciprocity: this is a rule of mutual favours. It is based on the ideology of solidarity and friendship, and direct power struggles are rare in that this type of exchange directs an egalitarian distribution. However, it should be noted that when talking about an egalitarian distribution it is presumed that reciprocity only operates within the borders of social classes, and not between. This is a clear example of informal activity *within* the formal sector.
ii. Patron-client: this is a relationship between a powerful actor (the patron) and a weaker actor (the client), thus suggesting that this directs a non-egalitarian distribution form. This relationship could also consist of a patron that normally works within the formal sector and a client whose main income stems from the informal sector, but needs a patron to support his enterprise. This is a clear example of a network operating *across* the two sectors.
iii. Market exchange: the distribution of goods produced in the formal sector but sold privately.

Lomnitz continues to suggest that the pervasiveness of one type of network depends on the nature and extent of state regulation and centralisation. Also, it depends on the social culture at the time concerning. More importantly Lomnitz looks at the politics that surround these informal exchange networks. She proposes that there is not necessarily a conflictual relationship between state and society, or community and the individual, as often described when looking at the relationship between the formal and the informal. Instead she sees conflict as emanating from ideological differences – that is levels of tolerance and trust.

[44] Tripp, Aili Mari (1997), pg. 12-13
[45] Lomnitz, Larissa (1988), pg. 43

A rather interesting point that Lomnitz puts forward is her discussion concerning market exchange. She argues that an informal exchange system, such as a parallel market, cannot exist without a network – and particularly without a political network. She explains three ways in which these networks are vital to the existence of parallel markets:

"(1) as a power base for the allocation of scarce resources and the opening up of new economic opportunities, as well as access to promotions, educational opportunities, and other scarce services; (2) as a collective security device against threats from the formal system; and (3) as a pool of resources particularly during emergencies."[46]

In her study on a parallel market in Georgia, Lomnitz discovered that after the arrests of several political figures this particular parallel market saw its own demise, and many participators emigrated from the area as they failed to make ends meet without this informal exchange network.

[46] Lomnitz, Larissa (1988), pg. 52

Fourth Assumption: Informal Sector as Politically Stagnant

The assumption that the informal sector is politically absent and stagnant is particularly evident when looking at the *lack* of literature on the subject of the informal sector as part of the political arena. This chapter focuses mainly on the role played by the state that affects the development of an informal economy. The below will therefore look at the informal economy as an 'exit' strategy – a deliberate attempt by certain sections of the population to avoid and de-legitimise state regulation and control. This will attempt to highlight the nature of the broader political conflicts and friction at play concerning the informal sector, hence to conclude the existence of political dynamics surrounding this specific sector.

Withdrawal from the State – De-legitimising the State?

Albert O. Hirschman suggested a rather different form of resistance to the state. In his work *Exit, Voice and Loyalty* he explains how a silent form of resistance to the state[47], namely 'exit', is a widespread and just as effective way of showing discontent with a ruling body. Hirschman, in his work, studies 'client' strategies and reactions to deterioration of formal structures and failure to provide the promised services and goods of various institutions, such as firms, organisations, parties, and the government. Hirschman thus sees the 'clients', in this case, citizens, as the powerful, and institutions, in this case the government, as the weaker having to respond to demands of the citizen in order to survive. One could thus draw an analogy to a market economy in which consumers will chose another product and producer if the quality and so forth of the original one was reduced. Furthermore, a producer would also choose to sell his or her products elsewhere in the absence of price incentives. The government, according to Hirschman, is thus forced to take demands from their citizens into consideration, or risk their own demise.[48] The informal economy in Tanzania provides suitable examples of exit strategies. The parallel economy, for example, created a space in which peasants could sell their products at decent prices, and thereby de-legitimise state control. However, as will be seen in the remaining chapters, Hirschman's analysis seems to be far too simple. The Tanzanian state in its relations to society did not act upon market-based rules of

[47] Hirschman looks at institutions in general, i.e. firms, organisations, parties, and governments. For the sake of this essay, only the government will be looked at.
[48] Hirschman, Albert O. (1977)

supply and demand. There is little doubt that various forms of exit strategies played a large political role in showing their dissatisfaction with the formal sphere, but other forces played a role as well.

Rational Choice Actors and a 'Too Hard' State

Robert H. Bates addressed a similar issue. Where Hirschman focused more on the 'client', or citizen, Bates focuses more on the state and what role it plays in forcing people, particularly the rural population, to 'exit'. In his piece *Markets and States in Tropical Africa* he discussed the political origins and ineffectiveness of urban biased policies. It was these types of policies, favouring the urban population, that forced peasants in particular to retreat to subsistence farming or find other markets than the otherwise monopsonous state, to sell their products. Bates' analysis identified certain mechanisms that intrinsically favoured urban industries and large-scale farming. These were heavy taxation, fixed prices, and state-marketing boards. The latter, looking at the case of Tanzania, is a colonial remnant that was used by the Nyerere government during Ujamaa as a mechanism to underpay rural small-holder producers. They were paid approximately one third of the world market price. The government would thus use the surplus they could attain from selling these cash crops in order to finance an expanding public sector. Furthermore, low food prices in the cities would dampen down urban workers' wage demands. Thus, one of Tanzania's main sources of taxation became its peasants. Additionally, an overvalued exchange rate, subsidisation of rural large-scale farmers, and government protection of industries intensified this urban bias. Consequently, according to Robert Bates and his theoretical buttress New Political Economy, peasants retreated to subsistence farming, as they were unable to obtain a surplus from their production, and sell their products on another market that offered reasonable prices – hence, the formation of a parallel market.

Bates, in attempting to rationalise why governments would promote urban biased policies, seeing their destructive qualities, suggests that government leaders are rational maximizers of their political interests with political survival as their primary priority. Bates assumes that the urban sector is more enlightened and educated and thereby poses an increasingly serious threat to political survival than the rural sector does. Thus, Bates portrays the African state as being 'too hard', and too omnipresent – so much in fact, that it forces its subjects to withdraw from its sphere and hence create an informal one.

Looking at the case of Tanzania, Bates' analysis seems far too simplistic. It is accurate how the government promoted urban biased policies through Ujamaa, but Bates' background for the way the peasantry reacted, and the political reasons for the government to implement such policies portrays an incomplete picture. The assumption that the highest priority for political leaders is merely political survival undermines the significance of ideology. Ideology was particularly important to post-colonial Tanzania as it aimed to dissociate itself from its former colonial rulers[49], and by this become self-sufficient. This was to be done through the implementation of '*African* Socialism' or Ujamaa (the Swahili word for 'familyness'), as its instigator, Julius Nyerere, labelled it. Ujamaa was to be the overruling ideology of the party for the period between 1967 and 1985,[50] and played a vital role in the composition of most policies. Ideology plays a large part especially in the case of Tanzania and the development as well as hardships of the informal sector. It was particularly due to the political leadership's steadfastness at maintaining political visions that various actors within the informal sector were both prosecuted and criminalized. Nyerere was immensely committed to creating an egalitarian society:

"'Ujamaa' then or 'familyhood' describes our socialism. It is opposed to capitalism, which seeks to build a happy society on the basis of the exploitation of man by man; and is equally opposed to doctrinaire socialism which seeks to build its happy society on a philosophy of inevitable conflict between man and man."[51]

Also, Nyerere's dedication to equality is seen from the implementation of the Leadership Code. This stated that no political leader was allowed to be a shareowner of any company established in Tanzania, his or her spouse would not be allowed a share in any company, neither would he or she be allowed to own buildings and leasing it to others than themselves, any leader or spouse of a leader would not be allowed two salaries, and neither would they be allowed to employ any workman in connection with a business.[52] He endorsed this code as he believed it would relieve Tanzania of the corrupted leaders.

This is a particularly excellent example of how actors performing informal (or even anything that resembled informal) activities were criminalized and seen as corruption when practiced within

[49] This is also evident when looking at the language policy during the Nyerere period
[50] In 1967 the Arusha Declaration was signed, implementing the project of Vijijini, or village-based community farms in which people were forced to. 1985 marked a significant change in Tanzania's political history as president Nyerere resigned voluntarily and peacefully and president Mwinyi was sworn in.
[51] Julius Nyerere in Okoko, KAB (1987), pg. 17
[52] Shaidi, Dr. Leonard P. in Hartmann, Jeannette (ed.) (1991), pg. 125-126

formal circles. This is particularly important as it describes a state to which ideology is important and that has run a very stringent course, leaving no space for ad hoc adjustments to policies, rather than, as Bates suggested, a state indulged in games of simple political promotions, favouring the urban population to gain political votes. Furthermore, urban workers took just as much part in exiting the state as the rural peasantry did. Particularly because wages were low, and food was scarce alternative systems of food distribution became evident – in the next chapter exit strategies by the urban population will become evident. As opposed to Bates' analysis the Tanzanian government were unable to mollify the urban workforce through food subsidies. In fact towards the 1980s agricultural production began to look increasingly attractive, mainly because the official food markets were saturated, commodities were generally scarce, and the prices on the parallel food markets had reached extortionate heights.[53] Bates' analysis can be applied for the case of Tanzanian and its informal sector when looking at his economic-oriented argument (i.e. marketing-boards etc.). However, he is unable to explain wholly the political situation, the state view of the informal sector and how the state was de-legitimised in the wake of alternative forms of resistance and exit strategies, as he fails to understand the ideological nature of the state in particular.

The Absence of Capitalism and an 'Uncaptured Peasantry'

Alternatively, Göran Hyden explained the agricultural situation in Tanzania quite differently from Bates. Instead of suggesting that the peasantry was not motivated to produce due to the absence of price incentives, Hyden described the peasantry as 'uncaptured'. By this he meant that the peasantry had not been incorporated into a capitalist mode of production, in which they were subservient to the state and its policies. The state was too weak and unable to subdue peasants to their control. It had not been able to alter "…indigenous social identification and patterns of accumulation."[54] Hyden describes that due to the latter, an 'Economy of Affection', in which kinship and family are the main incentives, still characterises peasant production. Thus, Hyden's study is implicitly a criticism towards Robert Bates as he argues that peasants are unaffected by price incentives, and any other government regulations or incentives:

"What all these studies show is that the peasant mode of production gives rise to an 'invisible' economy of affection that provides opportunities for social action outside of the framework of state control. These ties are personalised and very difficult to change, short of an effective transformation of the economic structures that support them."[55]

[53] Tripp, Aili Mari (1997), pg. 7
[54] Hyden, Göran & Williams, Donald C. (1994), pg. 72
[55] Hyden, Göran (1980), pg. 28

Also, in opposition to Bates' analysis, Hyden suggested that the Tanzanian state was too weak. It was merely a balloon that floated above society – rootless, and illegitimate by nature. Nevertheless, looking aside the discussion of state 'hardness' or 'weakness', what Hyden and Bates both agree on is the lack of penetration of capitalism – or, perhaps more accurate, the *uneven* penetration of capitalism. However, Bates argues along the lines of a neo-classical market analysis based on the laws of supply and demand, whereas Hyden looks closer at the nature of economic classes (or the absence of), and the lack of interaction between these. The peasantry is able to escape the strongholds of the state due to the control they possess over their own means of production and subsistence.

Hyden thus sees the broad political conflicts between peasants acting within the informal sector and the state as an issue of class, rather than a conflict emanating from policies formulated by rational choice actors. A silent power struggle over control of production appears, according to Hyden, between the peasants and the state. Nevertheless, it seems rather that Hyden describes an earlier period of Tanzanian history. Hyden's belittling tone suggests that the peasantry is 'stuck' in a pre-colonial era, unable to discover markets outside the family realm in which subsistence farming prevails. Charles David Smith states on the contrary that peasants rarely retreat to subsistence farming or the liking, but change their output of crops to those that have a higher yield and are not highly regulated.[56]

Bagachwa and Maliyamkono further suggest that it is not simply the peasantry that is immune to state regulations. Under the East African community Nairobi had been the administrative centre for trade and commerce, with Dar-es-Salaam and Kampala as sub-branches. Many businessmen had continued their trade-relationships across borders. Nairobi, the most industrialised, had become a trading centre for particularly Ugandan coffee and Tanzanian beef. Furthermore, when Idi Amin expelled the Asian community from Uganda they maintained their business ties to the three countries and conducted a network of foreign trade from England.[57] Trade relations among business men were not the only origins of trade across borders. Ethnic affiliations also played a large part in the parallel trade. As borders had been artificially drawn, they separated people that are otherwise

[56] Smith, Charles David (2001), pg. 121
[57] Bagachwa, M.S.D & Naho, A (1990), pg. 48

ethnically connected (i.e. common language etc.) or even blood-related, and trade between these groups thus remained a natural activity.[58]

Structural Adjustment and the Informal Economy in the Wake of a 'Rolled-Back' State

The analysis of both Robert Bates and Goran Hyden seem to loose relevance when looking at conditions during structural adjustment programmes in Tanzania. Throughout the 1980s Tanzania engaged itself with a series of structural adjustment programmes.[59] One of the main consequences of these programmes was a severe retreat of state control. Living expenses increased as devaluation pushed up prices of local as well as imported goods. Public services such as education were no longer free and due to a prescribed downsizing of the civil service formal employment was hard to get by. Particularly the early programmes had failed to relieve the country of severe inflation and nominal wages were not increased significantly – real wages thus fell. A quote from a university professor in Dar es Salaam suggests the extent of the issue:

"Life is unbearable. The actual amount of money I spend for my family a month is almost three times as much as my monthly salary. I am forced to do a lot of things, legal and illegal, in order to supplement my income."[60]

Additionally, subsidies to the agricultural sector had been withdrawn and so the cost of agricultural production increased, as did the prices of agricultural products both in rural areas as well as urban areas. It was not only the middle and higher income earning layers of society that this affected, but also the poorer, as their purchasing power diminished. In the middle of the eighties Dar es Salaam saw an increased influx of young men from rural areas who had come to the city to find employment. Unsuccessful they started their own income-generating activities which often took form of petty trading or hawking. These were given the nickname *Machinga.*

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[58] Bagachwa, M.S.D & Naho, A (1990), pg. 74-75

[59] *1981-1982*: "National Economic Survival Plan" (NESP) – a Tanzanian initiated programme aimed at increasing exports and eliminating the prevailing food shortage as well as to reduce public expenditure.

1982-1986: "Structural Adjustment Programme" – still one of Tanzania's own programmes, and therefore not funded by international donors. This programme sought more in depth solutions to the economic crisis. As opposed to IMF/World Bank supported SAPs this did not identify state-intervention as the culprit of economic crisis, but rather it sought to perfect interventionist policies.

1986-1989 (1989-1992): "Economic Recovery Programme" (ERP and ERP II) – these two SAPs were the first IMF/World Bank sponsored structural adjustment programmes in Tanzania. Their main aim was to eliminate state intervention policies, and to promote market oriented policies. The targets of these SAPs were to increase food and export output through 'getting prices right' policies, to increase capacity of industries, to restore macro-economic balance, reduce inflation, increase foreign exchange earnings and to recover social services.

[60] Quote from a University Professor, in Lugalla, Joe P. (1997), pg. 436

When looking at the development of the informal economy through the perspective of a 'rolled-back' state it becomes evident that the Tanzanian state, as Hyden described it, was not simply a superfluous structure floating above society. Looking aside economic deterioration and hence failure to uphold the promised services, the state actually was able, for a period, to perform several functions. It affected society immensely when these services were discontinued, and people looked towards the informal sector for subsistence and social security. In this sense certain informal activities sought to fulfil functions that the 'rolled-back' state had previously fulfilled, and were not exit strategies as such.

Part II

"Where Does the State End and Civil Society Begin?"

"Both optimists and pessimists in the civil society debate in Africa tend to define (often implicitly) civil society too narrowly and ask of it too much."[61]

This quote by Stephen Orvis illustrates well the difficulty, as well as the complexity of defining civil society, particularly in an African context. Looking at the classic texts, Tocqueville argued that civil society was necessary to hinder the state from evolving into tyrannical rule, and was to play the role of an institution upholding and teaching civic virtues.[62] Hegel saw the opposite in civil society, and portrayed it as a potentially dangerous entity within society possessing too many (capital), and egotistical interests. Hegel's civil society was not an institution promoting democracy, nor did civil society offer the masses security, as Tocqueville envisioned it. Marx, along the same lines, stated that civil society did not represent the masses, and was in fact a bourgeois manifestation, promoting their own interests at the expense of the masses. Civil society, according to Marx, was part of the 'spirit' and essence of the state.[63] Gramsci understood civil society in more positive terms than Marx and Hegel, as he saw civil society as an emancipatory element. While acknowledging that the distinction between state and civil society was only methodological, he saw civil society as a set of autonomous organisations and institutions through which society, autonomously from the state, could organise and represent itself. The economic sphere in which actors organised production was not a part of civil society. Nevertheless, Gramsci, similar to Marx, did see civil society as protective "…fortresses and earthworks…"[64] of the state, upholding the hegemony of the bourgeois ruling class.

These two main contradicting arguments – civil society as a state opponent and civil society as a set of organisations upholding the legitimacy of the ruling classes, protecting the interests of the state - have formed the basis of many viewpoints concerning civil society in Africa. Optimists point out that African civil society is well rooted in society, and therefore has a strong base for supporting liberal democracy, by functioning as a challenger to the state. Pessimists, on the other hand, argue

[61] Orvis, Stephen in Ndegwa, Stephen N. (2001), pg. 17
[62] Orvis, Stephen in Ndegwa, Stephen N. (2001), pg. 19
[63] McLellan, David (2000), pg. 33-34
[64] Gramsci, Antonio in Quintin Hoare and Geoffrey Nowell-Smith (eds.) (1971), pg. 238

that African civil society is a floating mechanism orchestrated and conducted by a mix of foreign aid donors and elite individuals promoting their own interests, whether ethnic or pure business.[65]

The main problem with both of these viewpoints is that they fail to see the complex nature of African civil society. It seems too often that civil society definitions are based on western concepts of the same. This would typically be expressed in terms of concrete organisations and institutions with a particular set framework, ideology and purpose directed at promoting liberal democracy. Additionally, visible actors, e.g. human rights organisations, other NGOs, churches and trade unions, and a rational organisation must be present.[66] Attempting to rationalise and concretise a concept for civil society, this fails to incorporate other potential actors and units that could have the same, if not a more dynamic and vigorous, effect on political, social and economic issues. In particular, these definitions ignore the informal aspects of African civil society. It is in this way that, as Orvis argued, many definitions of African civil society are often too narrow, and in fact overlook areas of society that could play a large and significant role in African political, economic and social life, particularly as they may be more deeply rooted in society.

Jean-Francois Bayart recognized civil society as:

"… a society in its relation with the state… in so far as it is in confrontation with the state."[67]

This is a rather problematic definition of civil society, as it is based on the illusion that state and society are two distinct spheres. Nelson Kasfir has also criticised this and asks if civil society therefore disappears when engaged in non-confrontational activities, or when working *with* the state.[68] Other authors such as Michael Bratton and Naomi Chazan have suggested that associational life expanded with the onset of structural adjustment programmes and the resulting retreat of the state, as a larger political space for voluntary organisations was created:

"But precisely because state control of society in Africa has been tentative at best, the retreat of the state will create, willy-nilly, an enlarged political space within which associational life can occur. Under these conditions, groups within

[65] Holm, John D. & Molutsi, Patrick, P. & Somolekae, Gloria (1996), pg. 43
[66] See Diamond, Larry (1997), introduction
[67] Bayart, Jean-Francois in Kasfir, Nelson (ed.) (1998), pg. 4
[68] Kasfir, Nelson (ed.) (1998), pg. 4

civil society will enjoy greater opportunities to attract a following, develop a bureaucratic form, and formulate policy alternatives."[69]

Naomi Chazan contends that, due to an increased suspicion of the state, these organisations sought to endorse independence and full autonomy from it.[70] Once again, this raises several empirical problems. Nelson Kasfir criticises the notion of an independent civil society, as the pervasiveness of patronage interlocks actors from both society and the state within a network that makes straddling between the two spheres inevitable.[71] It is particularly the latter that makes most African civil societies so distinct from western ones. It is therefore highly restrictive if one attempts to ascribe a western notion of civil society to an African notion of the same.

With focus on Sub-Saharan Africa, Larry Diamond has outlined several functions that civil society should perform:

"…limiting the power of the state more generally, and challenging its abuses of authority; monitoring human rights and strengthening the rule of law; monitoring elections and enhancing the overall quality and credibility of the democratic process; educating citizens about their rights and responsibilities, and building a culture of tolerance and civic engagement; incorporating marginal groups into the political process, and enhancing the latter's responsiveness to societal interests and needs; providing alternative means, outside the state, for communities to raise their level of material development; opening and pluralizing the flows of information; and building a constituency for economic as well as political reform."[72]

This is a rather narrow view of civil society. It simply implies that the function of civil society is to promote liberal democracy, and henceforth undermines an understanding of the relations between society and the state. Furthermore, to suggest that civil society is better at upholding democratic values and accountability than the state is a mere assumption – civil society actors possess particular material and ideological interests, that in many cases outweigh democratic priorities.

It is simply enough to look at the length of Diamond's list to understand Orvis's point that scholars ask too much of civil society. Orvis has simply defined civil society as:

[69] Bratton, Michael (1989): pg 412
[70] Chazan, Naomi in Migdal, Joel S. & Kohli, Atul & Shue, Vivienne (eds.) (1994), pg. 269
[71] Kasfir, Nelson (ed.) (1998), pg. 9
[72] Diamond, Larry in Makumbe, John Mw. (1998), pg. 305

"…a public sphere of formal or informal collective activity autonomous from the state and family… Collective activity guided by the norms of moral ethnicity and taking the form of ethnic or patronage organisation is every bit as much a part of African civil society as are trade unions, professional associations, or churches."[73]

This definition, despite its encompassing qualities, fails to identify the importance that organisation and structure has to the effectiveness of civil society. Scholars often define civil society organisations through their values. That is, as long as an organisation seems to promote and educate civic virtues and values, they are considered capable civil society organisations. However, as Ronald Kassimir noted, civil society organisations should not be defined through their set of values, but rather through their *capacity* to influence change. Kassimir thus recommends that the internal organisation and strength of institutions, whether formal or informal, should be focused on.

For the sake of this paper, Gordon White's definition of civil society will be used:

"… an intermediate associational realm between state and family populated by organisations which are separate from the state, enjoy autonomy in relation to the state and are formed voluntarily by members of society to protect or advance their interests or values."[74]

Thus, two main 'functions' will be looked at: civil society as social protector and civil society as a capable institution to affect change alongside or opposed to the state.

Employers vs. Employees

It is important to firstly gain an understanding of the nature of the relationship between employers and employees. This is an important distinction as the working conditions for each are dissimilar. Also, this distinction is seldom made in the literature concerning the informal sector. This issue is particularly significant as it proves the lack of social security of the marginalized within the informal economy, and therefore also the need and reason to form labour organisations and 'self-help' organisations, as will be discussed below. It is impossible to provide an exhaustive account of the relationship between employers and employees without additional field research, however, a general impression will be provided.

[73] Orvis, Stephen in Ndegwa, Stephen N. (2001), pg. 18
[74] White, Gordon (1996), pg. 5

Joe P. Lugalla, in his 1995 study on the informal sector in Dar es Salaam, discovered that the middle- and high-income earners in Dar es Salaam participate in the informal sector by hiring people to work for them as sub-contractors. The low-income earners and the very poor are the ones that typically work *physically* in the informal sectors. The working conditions of the latter are critical and unattractive, and workers are paid below the standard minimum wages. In his survey, Joe P. Lugalla observed that only two interviewees out of 100 paid their workers a minimum wage.[75]

One could imagine, considering the alleged flexibility and competitive nature of the informal market, that workers would simply seek other employers. Conversely, this is typically not the case. There exists a sea of labourers that are willing to do the job, and only few enterprises that are willing to employ them. Also , due to poor access to resources and markets the lower-income earners are necessarily dependent on maintaining networks with those who have access to resources and markets – often those with additional jobs in the formal sector. Thus the acquisition of resources is based on networks, rather than being of a competitive nature. Furthermore, employers often possess the upper hand in their relationship with employees, as they can report their workers at any given time. Seeing that many employers are often within the higher layers of society and they typically have connections within the formal sector they are able to escape official legislation.

S. V. Sethuraman in a working paper to the ILO discusses these dependency relationships, and characterizes them as exploitation. He particularly addresses the case of low-income earning women, who due to cultural, social and political constraints are marginalised immensely. They are often paid in raw materials rather than cash, and are frequently subjected to physical harassment.[76] Due to their political and socio-economic marginalisation, they as well have poor access to markets and resources, and face the consequences as described above.

In the 1960s and 1970s trade unions and labour laws protected employees. These unions were under the control of the socialist party, and solely protected formal sector employees. With the demise of the socialist state, and the transfer of formal workers into the informal private sector, the influence of trade unions on workers' rights decreased. The private sector employer thus gained more control over his workers. Per Trulsson, as opposed to Sethuraman, explains that this development is

[75] Lugalla, Joe P. (1997), pg. 438
[76] Sethuraman, S.V (1997), pg. 16

positive, as the nature of the labour market has become more competitive and in line with the laws of supply and demand. This quote from an employer explains well what Per Trulsson means by a change for the better:

"People haven't changed their attitude to laziness. Laziness is still there, and people still want to stay idle, but it's changing. Now people are shifting from government institutions to private companies. In the government offices there was this umbrella of this organisation of workers whom, when government sacks you, the organisation of workers can fight for you up to the court and make you come back to you office. This is not applicable to private people. You're sacked, you're sacked. You can't work, you can't. You're lazy, you're gone. So people are working hard because you know, I'm getting good pay. I have to work. If I don't work, I get sacked. If I get sacked nobody will be willing to employ me. So people are *working* in private enterprises."[77]

Additionally, Per Trulsson certifies that employees are granted a salary often higher than minimum wages. There is no doubt that this is a fact in certain sub-sectors and in certain enterprises. It is widely known that actors in the informal sector often acquire a higher salary than those in the formal. However, there could be reason to suggest that this is only true in specific cases. Per Trulsson seems mainly to cover the field of production, and fails to look at the nature of work conditions in the field of trade or services. One could imagine that wages in other sub-sectors might look different. However, too little research has been undertaken in this field of study, particularly concerning the case of Tanzania.

Trade Unions and Associations in the Informal Sector

It has often been thought that organising workers within the informal sector was an impossible task. Due to its heterogeneous nature it was believed that building institutional structures along the lines of common interests were unfeasible. Conversely, Manuel Simón Velasco, ILO director of the Bureau for Workers Activities, has suggested that the plight of informal sector workers is rather similar to that of workers during the industrial revolution – i.e. long working hours, unsafe working conditions, little wages and so forth – when various trade unions were formed.[78] Additionally, despite its heterogeneous nature, workers within specific sub-sectors of the informal economy will

[77] Simon, an employer, quoted in Trulsson, Per (1997), pg. 242
[78] One could particularly compare the conditions for certain informal workers to that

naturally form common interests and values that need to be promoted to ensure their survival and development.[79]

Nevertheless, having established that organising workers in the informal sector is not an impossible task, they do face various obstacles, as Manuel Simón Valesca has noted:

"The rigidity of the regulatory framework, heterogeneousness of work relationships, mobility and often invisibility of the workforce, inadequacy of union structures, and a dearth of human and financial resources are some of the factors which impede the work of traditional unions in the informal sector."[80]

He continues to argue that the importance of organising workers within the informal sector is to allow them to influence policy formulation. This will particularly make policies more effective, he argues.

Organising From Above: Formal Sector Trade Unions

Today, certain development projects have incorporated informal sector issues, and particularly that of trade unions within the informal sector, with the aim to 'give people a voice and alleviate exploitation'. DANIDA, in a component to the Business Sector Support Programme in Tanzania, *'Support to the Trade Union Movement of Tanzania'*, have sought the expansion of the trade unions' membership base to include the informal sector.[81] Also, an ILO sponsored project, SYNDICOOP, deals with informal sector trade unions in Tanzania:

"The aim of the project is to improve the working and living conditions of unprotected informal economy workers in selected African countries, through pilot projects aimed at creating decent employment and income. This will be achieved through strengthening the capacity of national and local level trade union and cooperative organizations to work together constructively in the informal economy"[82]

However, this cannot explain the political dynamics that saturate the informal sector. These donor funded efforts, not disregarding their effectiveness and perhaps positive results, are initiatives from above, and do not necessarily show how actors within the informal sector are able to organise

[79] These interests could for example be legal and labour rights, issues over licenses, and even wages when working in cooperation with the formal sector.
[80] Velasco, Manuel Simón in ILO (1999), pg. VI
[81] "An attempt to broaden the membership base to the informal sector seems promising." DANIDA (2002), pg. 64
[82] ILO website

themselves. Furthermore, it would be essential to study the structure of and dynamics within formal trade unions that take up the plight of the informal worker. This is particularly taking into account that the two sectors could be bound in competitive relationships and that different social layers within the informal sector, and within the same sub-sector, compete against each other. It would thus be of interest to research whose interests are being promoted within these unions, be it employers or employees.

Nevertheless, certain formal organisations have been somewhat successful in affecting reform of regulations impeding informal activities. In the 1980s, healthcare facilities had become increasingly scanty. Due to government deficit medical practitioners were severely underpaid. Many within the medical field operated sideline projects, *miradi,* varying from animal husbandry and urban farming to private medical practices at their personal quarters. These activities were considered illegal and particularly private medical practitioners had to watch their backs. The fines issued if one was caught operating private healthcare facilities were extortionate, as privatisation was in direct conflict with the party ideology, which aimed to keep healthcare under the control of the state.

The Medical Association of Tanzania, primarily between 1984 and 1989, took great part in the privatisation movement, contending that doctors should be allowed to operate outside office hours privately. These conflicts between doctors and the government continued until the beginning of the 1990s, involving several riots and direct confrontational episodes. The government, in an attempt to pacify this resistance movement, allowed physicians to work in private clinics, but not to manage and operate them. However, it was not long before the government understood that despite their regulations, physicians were performing private and unregistered medical practices and many were in fact leaving the country to find more lucrative businesses. In 1993, the government finally lifted the country's 28 year ban on private medical practice, realising that the state was unable to supply the same kind of medical services as they had promised.

Throughout this period, MAT was in direct contact with the political authorities. This was partly made possible due to MAT being formally organised, and thus recognised by political authorities. It is rather interesting, nevertheless, that such an organisation, not entirely independent of the government, diverged to this extent from party ideology. During the Nyerere era, trade unions and associations were under the control of the party. No independent association was formally allowed to form. It can therefore be concluded that even though this association was originally formal and

state-controlled, it deviated from the state when their own interests and values, which were of an informal nature, were at stake.

The association was nevertheless aided in their fight by a change in the political leadership. This is not to suggest that the new president, Ali Hassan Mwinyi, was more benevolent towards informal activities (quite the contrary) but he was less steadfast in nourishing ideological principals. It remains undiscovered as to the actual capacity of the MAT to persuade the government directly into changing policies. Also, it remains uncertain whether private doctors would have won their case anyway, despite MAT's efforts at confronting the state, as the simple action of seeking jobs outside the country, or performing medical practices and other informal activities despite the ban, could have been equally successful. Nevertheless, to say the least, the MAT gained increasingly political momentum during this period as they engaged in matters that were in direct conflict to the state – this matter was to fight for the right to additional and informal incomes, in a period of economic hardship.

Associations in a Multiparty Era

Aili Mari Tripp mentions how various informal sector trade unions were at the forefront to reform economic policies restricting informal economic activity. In an attempt to increase the control of street vendors, City Council imposed a new regulation. This stated that vendors were only allowed to operate in 'authorised localities'. In 1995, market vendors were therefore expelled from the central Kariokoo market. The Organisation of Small Business People and the Dar es Salaam's Kiosk Owner's Association voiced their criticism towards the City Council for not finding an alternative site and for the intimidating treatment they received. The Associate Chairman, Issa Mnyaru, was quoted in the Daily News on the 8th of May 1995, addressing the councillors:

"We are in a multipartyism era. You are required to listen to the people who voted for you."[83]

A few violent attempts at moving vendors from Kariakoo were made, but it was not long before City Council had to admit defeat. The Kariakoo market is still a highly functioning market place in Dar es Salaam today, despite numerous government attempts throughout the 1990s to remove vendors.

[83] Tripp, Aili Mari (1997), pg. 159

Looking at the situation concerning the conflicts over which grounds informal vendors can utilise, it seems that the organisations involved were only successful in the case of the Kariakoo market. During the same year, woodcarvers of the Makonde carvings were brutally and violently banished from Old Bagamoyo Road and retreated to Mwenge, a peripheral area of Dar es Salaam, where the Makonde carving market is still situated today. It thus seems that these organisations were not strong enough to negotiate market space. It might in fact appear more likely that the government possessed the upper hand in these conflicts, and that the success of winning market space was more up to either the number of vendors (thus making it harder for the militias to disperse them) or how important certain areas were to the government, rather than the strength of certain unions or associations.

Furthermore, it is questionable as to the strength and capacity of trade unions and associations in general. Many formal trade unions in Tanzania lack the capacity, leadership and ideology[84] to promote interests and to be involved critically in the national political environment and policy formulation.[85] It therefore seems like certain obstacles have to be passed before trade unions are capable in taking up the plight of the informal worker, on a continual and regular basis. Additionally, one could imagine that for informal workers to organise along the lines of traditional trade unions and labour organisations without the aid of already formally established unions and organisations would require resources that perhaps the poorer section of the informal sector are not in possession of. To gain an understanding of the effectiveness of the more visible associations and unions in Tanzania it is, as previously explained, necessary to investigate the capacity of the organisation, as well as its internal structure.

Women

However, the above is not to imply that actors within the informal sector are unable to organise themselves. Quite the contrary, numerous organisations and institutions of various purposes have emerged, yet their character assumes different structures and characters than the traditional trade

[84] Trade unions in Tanzania have, until the introduction of multipartyism in 1992, been closely affiliated with the ruling party, thus reducing its political and ideological function. The Trade Unions Act no. 10 of 1998 was to ensure that a free and independent trade union movement be established. It was not until its final approval in 2000 that it came into practice and the first free trade union federation came into existence (TUCTA). Thus much of the trade union leadership in Tanzania have been a part of the ruling party, and not necessarily labourers themselves, thus lacking ideological drives. It is only recently established that for a person to become a trade union leader he has to be a worker.
[85] LO/FTF Council (2003), pg. 55-59

unions and labour organisations. This is particularly evident when looking at how women have coped with the participation in the informal economy.

The importance of women participating in the informal economy should be illuminated, as the entrance of the majority of women into this sector has amplified their political and economic consciousness. They have gained increasing control of their own financial assets and therefore also greater control of their households in general. Through this enhanced economic independence women have started to formulate their own interests, voice demands and organise various institutions to assist them both socially and economically. The participation of women in the informal sector has added a new group of actors to the political arena in Tanzania, articulating different and various interests.

To emphasise the importance of this change, Aili Mari Tripp presented a quote by a female hairdresser:

"I sincerely thank Nyerere for putting Tanzanians through so much hardship. He taught us something which we didn't know. We learned the hard way. If we would have had a good life, we wouldn't have thought of starting a business. Today, most women are in business and are no longer dependent on men… women are getting confidence that they can stand on their own."[86]

This quote by the female hairdresser really describes an immense socio-economic change. During economic crisis in the 1970s and 1980s women, despite social prejudice, were forced into income generating activities as their husbands were unable to support their households. This gave women the extra burden of obtaining additional income while simultaneously performing household chores. Self-help institutions such as organising child-care, financial savings and lending, and cooperatives to organise operations within their informal enterprises were greatly needed.

Upato – Rotating Savings and Credit Societies

In order to organise their finances women in urban areas set up and joined rotating savings and credit-societies (*upato*). These are informal saving schemes, in which women pay in a certain amount approximately every five days. On a rotating basis, each needy member is given a sum of money from the pool created. The bases of these societies are built on trust and group solidarity.

[86] Quote from a female hairdresser in Tripp, Aili Mari (1989), pg. 614

Despite the importance of trust, the groups that are formed in urban areas are rarely established solely along lines of ethnicity, as one might have thought, making the potential membership subscription even wider. These credit schemes seem rather efficient as there are no interest rates, few transaction costs and no paperwork. During the 1980s, the formation of these societies and their membership subscription rate increased significantly. This generally proved the determination of many women to maintain control of their own livelihood, while concurrently extending their assistance to others in their community. These rotating savings and credit societies are excellent examples of informal civil society organisations, as they fulfil the role of social and economic security, as well as aid community development overall.

A common reason for joining these societies were to avoid the money 'lying around at home' and having their husbands use it for drinking and socialising.[87] Without these societies, women would not be able to make investments and establish business relationships.[88] The latter is particularly important as this is the gateway for many women working in the informal sector to resources and market information. Seeing as women in lower layers of society rarely have the opportunity to establish networks elsewhere, as they lack connections to the formal sector, these societies play an increasing importance for the women in lower income layers of society.

It is not simply business relations that are established. Women join these societies for social protection as well. In an interview carried out by Aili Mari Tripp with a group of women in Buguruni in 1988, one woman, when asked why she had joined a credit society, answered *"kutunzana"*, which in Swahili means to care for and support one another.[89] A greater understanding of the effectiveness and extensiveness of these societies can be seen when looking at the statistics from Aili Mari Tripp's Dar es Salaam survey of 1987-1988. She observed that half of the self-employed women in the city were part of an upato society. Also, women who were members of an upato would generally make 26% more than a woman who was not a member. Tripp also discovered that women in upato societies were generally more educated than other self-employed women, mainly as they were able to save up for additional tutoring.[90] The weakness of this analysis, nevertheless, is that a follow-up survey is absent. It is thus not possible to comment on the extent of duration of these societies, their development, and what character they possess today.

[87] Tripp, Aili Mari (1989), pg. 614
[88] Lange, Siri & Wallevik, Hege & Kiondo, Andrew (2000), pg. 15
[89] Tripp, Aili Mari (2001), pg. 8
[90] Tripp, Aili Mari (1994), pg. 113

Nevertheless, these saving societies also fulfil a social role, in that women often save up in order to build community based buildings (i.e. for teaching etc.), health facilities, or to pay school fees for their children.[91] It is thus possible to view these credit societies in two ways. On the one hand, they are deliberate strategies to avoid state regulations, particularly in the form of paying taxes and avoiding interest rates were they to borrow from official banks. On the other hand, they play a vital role alongside the state in fulfilling community services that the state is otherwise incapable of accomplishing.

The Utengule Usangu Brewers

Alice Nkhoma-Wamunza has portrayed an interesting account concerning a rural women's brewing organisation situated in Usangu in the Mbeya region. Beer brewing has for decades been a female activity, as many of the tasks involved are traditionally ventured by women – i.e. fetching water, firewood, fruits (i.e. bananas), pounding, grinding, cooking etc. Seeing that this is hard work, many women set up support systems and co-operatives in order to help each other out. This would take the form of for example watching each other's children.

In the beginning of the 1970s a group of women in Usangu formed a cooperative beer club *Kilabu cha Akina Mama* (Swahili for women's club), with the short-term goal of buying milling machinery to alleviate the hard work. With an elected chairperson, treasurer and secretary the cooperative was well-organised, and thriving. Within a year, the women had erected a building, which was to be their 'headquarters' so to speak. The women were able to meet the demands for beer in the village, while avoiding saturating the market, as they cooperated with each other, and took turns selling their products. In other words their operation was managed efficiently.

However, the political setting in Tanzania at the time was immensely hostile towards, first of all, informal income-generating initiatives, and second of all informally based cooperatives that were not controlled by village governments. Particularly, women were not seen as suitable organisers of such cooperatives. Intrusions by the male population became frequent as they sought ways to take over the prospering business. Rumours concerning the leadership of the cooperative were spread, thus demoralising the women. Furthermore, the women were threatened by their village

[91] Tripp, Aili Mari (1994), pg. 113

government. If the cooperative did not support village development activities by paying a percentage of their profit they would be reported to the central authorities. The women were forced to pay numerous fines and bribes in order to survive.

In 1972 the village government finally triumphed in their attempts to take over the business. Nevertheless, the women managed to drive the government owned business into bankruptcy, by selling their home-brewed beer illegally, either in the vicinity of their own homes, or in secluded places. This was their form of a silent protest, which returned the beer brewing business to them. Unfortunately, after four successful years and an increasing membership list, the village government once again took over their business, giving them the formal reason that the village was in dire needs of a development project. The underlying reason, Wamunza suggests, was that the male population was threatened by the women's economic independence.[92]

Despite the unfortunate fate of the women's cooperative in Usangu, it serves as an excellent example of the political dynamic that one specific informal activity ignited. Firstly, it provided women with resources to organise themselves and gain independence and control of their own livelihoods. Secondly, it brought women unto the political arena alongside men, as they were able to compete on the domestic market, and thereby fight for their values and interests. Also, they were strong enough to pose a substantial threat to the village government and to the male population in general – a threat that undoubtedly could not be ignored.

Thus, from this it is possible to deduce, as Aili Mari Tripp wrote, that:

"In asserting their autonomy and power vis-à-vis their husbands and even the state, women have used non-compliance and non-confrontational means. It is only by looking at their own perceptions of options and obstacles, as well as how they go about making decisions in their lives, that we can begin to see urban women more as agents rather than merely victims of change."[93]

The above examples of organisations and institutions set up by women serve as excellent examples of the reasons for and methods used in establishing self-help organisations that play a vital role in Tanzanian civil society, particularly in the advent of a retreated state.

[92] Wamunza, Alice Nkhoma in Taylor, D.R Fraser & Mackenzie, Fiona (1992), pgs. 197-214
[93] Tripp, Aili Mari (1989), pg. 623

Non-Compliance: "Everyday Forms of Resistance"

Having looked at the more organised sections of informal sector it is enlightening at the unorganised, perhaps even spontaneous section of the informal economy, as this portrays a different and important kind of protest to state regulations and control. These forms of silent protest stem truly from below. This proves an explosive and effective political force within the informal economy.

Literature on popular resistance has mainly covered more organised forms of resistance such as riots, pickets, strikes, revolutions and other forms of mass movements. However, as James C Scott noted, one too easily overlooks the unseen, quiet and unorganised forms of direct resistance to the state. This chapter will deal with a more direct, yet still quiet form of resistance, more along the lines with what James C Scott labelled it 'everyday forms of resistance'. Others have called it 'non-compliance'.

False Labour Identification Cards

In 1983 the Penal Code Amendment[94] was enforced by the Tanzanian government. It was firstly to identify those involved in 'unproductive activities', in order to ban them from the cities, and force them into rural Ujamaa villages. The definition for 'unproductive activities' remained rather vague throughout the 1980s, but it targeted mainly the self-employed, and the unlicensed – the informal sector in other words. To enhance the effect of this code the Human Resource Deployment Act, or Nguvu Kazi campaign, as it is more popularly named, was put into operation in May that year. All citizens were to attain labour identification cards, which they had to carry on them at all times – anyone found wandering the streets without an identification card would be detained and sent to the countryside, to become engaged in more 'productive activities', namely agriculture. President Julius Nyerere's justification for this was to increase productivity in order to achieve self-sufficiency and full independence from the external world. He egged on the campaign with this famous line from a speech recorded by the Daily News in September 1983:

[94] This Code has its roots in British Colonial administration. It was originally a British law that was used to force people into labour.

"If we don't disturb loiterers, they will disturb us!"[95]

This campaign soon grew out of control as people thought of ways to obtain false identification cards, and consequently, the police would arrest anyone wandering the streets during 'office hours'.[96] Within three months, 15,611 people had been arrested and sent by truckloads to rural areas. However, the majority returned to the cities as agricultural production was not lucrative and the illegal trade in identification papers escalated. It was not long before the authorities understood that the campaign was unrealistic, and in fact did more harm than good. In 1984 the numbers of people being detained and sent to ujamaa villages had markedly decreased.[97]

This is one example of successful non-compliance. There was no other alternative for detainees than to fight their way back into town, as agriculture did not yield adequate wages. The issuing of illegal and unofficial licenses was a way to evade and ridicule government regulations. The majority of citizens in Dar es Salaam had obtained illegal licenses and 'unproductive work' (in the eyes of the government the self-employed and unlicensed) continued to be a main source of income for many, including those with jobs in the formal sector.

Daladala

Another illustrative example is that of the *daladala* bus wars, as Aili Mari Tripp so forcefully entitled these conflicts of transport privatisation. Since the Arusha Declaration, policies concerning any form of privatisation had remained highly restrictive. Within the area of transport, only government-owned buses were allowed to operate legally. However, due to economic crisis and severe government budget deficit, the busses were poorly maintained and in fact were on the verge of unsafe. Furthermore, as the rural areas were unable to provide sufficient wages, urban migration had escalated. There were no longer enough buses to fulfil the demands of the increasing urban population, and towards the middle of the 1980s, individuals began to run their own taxi services and minibus services. These minibuses satisfied customer demand as they were cheaper and did not follow strict routes.[98] An amusing anecdote from the early 1980s, when minibuses were still illegal,

[95] Julius Nyerere in Tripp, Aili Mari (1997), pg. 141
[96] As food scarcity reigned the country, people were compelled to queue for many hours of the day in order to obtain their food rations – it was thus difficult to avoid the streets during 'office hours'.
[97] Tripp, Aili Mari (1997), pg. 144
[98] They had to change their routes every time so as not to be caught.

suggests the massive support for the operation of these illegal minibuses: a Dar es Salaam *daladala,* carrying about forty passengers, was stopped by the police. Understanding that all would be in trouble for utilising an illegal transport service they pretended to be a family on the way to a wedding, and broke out into singing and clapping. The police officer was thus unable to charge them for operating on a commercial basis and the bus could continue its service.[99]

Julius Nyerere had remained steadfast to his ideology of providing public transportation, but with new political leadership *daladala* buses were legalised as the new government understood that they were unable to render such services. *Daladala* buses were allowed to operate as long as they obtained official safety checks and licenses. Between 1986 and 1991 the number of operating government buses fell from 300 to 50. By 1991 the *daladala* buses had driven the government-owned buses out of business and as a retort the issuing of licenses and registration had been suspended, in an attempt to impede the operation of the privately owned buses. Nevertheless, despite a fourth of the minibuses operating without licenses, it was by far the urban population's first choice in transport.[100] Today, these minibus services enjoy almost full control of transportation in Dar es Salaam, in fact their increasing numbers are beginning to congest the city centre.

In discussing the effect of non-compliance within the informal sector Aili Mari Tripp stated that:

"Today, in many countries, societal non-compliance is a struggle over whether the state has the right to make the rules over and above societal actors. Widespread non-compliance and a burgeoning informal economy are indicative of this disjuncture in society-state relations over who makes the rules of the game and what they should be."[101]

Along the same lines James C Scott understood that:

"…everyday forms of resistance can be effective, widespread, durable and highly coordinated, even though they are not formally organised and do not seek 'self-consciously' broad policy goals."[102]

[99] Tripp, Aili Mari (1997), pg. 1
[100] Tripp, Aili Mari (1997), pg. 160-162
[101] Tripp, Aili Mari (1997), pg. 10
[102] Scott, James C. in Tripp, Aili Mari (1997), pg. 137

Conversely, René Lemarchand stated it is wrong to idealise the informal economy as a viable opponent to the state, as within this sector reigns corruption, theft, violence, deal-making, and rip-offs:

"The discredit cast upon the state seldom translates into a coherent, organised opposition." [103]

The above arguments offer two extremes of how the political dynamics within the informal sector should be viewed. It is possible to generate a synthesis of these two extremes. Aili Mari Tripp suggests that non-compliance affected economic and political change in the 1980s, and took great part persuading economic reform towards liberalisation. However much this is true, there were various other, and possibly more convincing, factors at play. The economic system as a whole had proved vulnerable to external factors, and a group of state actors had already begun to push for economic reform as they began to understand the failings of the socialist system. Also, Aili Mari Tripp seems to ignore the role played by the upper-income layers of society – the non-marginalised, as will be discussed in greater detail below. Furthermore, the shift in political leadership played an immense role in formulating economic reform, as with Julius Nyerere's resignation ideology became less important.

The main point in concern is the fact that no sector within the informal economy is in any way politically stagnant, or oblivious to political undertakings in the country. The different sub-sectors may or may not use honourable methods in the pursuit of a livelihood, but every group possesses political and economic interests that have the potential to materialise into organised resistance, either employing confrontational methods, or silent, non-confrontational methods.

[103] Lemarchand, René (1992), pg. 188

Power, Conflict and Social Stratification

Rene Lemarchand, as described above, argued that the informal economy can not provide viable resistance to the state due to its clandestine nature and close affiliations and networking with the formal sector. However much it might seem that certain parts of the informal economy have adopted a clandestine and corrupt nature, or have (too) close connections to particularly state actors, it is nevertheless untrue that because of this informal sector actors and groups are unable to provide a viable challenge to the state system. In fact, looking closer at the power plays and conflicts occurring between and within both the formal and the informal sector it becomes evident that the intertwining of these two sectors, and particularly the presence of state actors operating in the informal economy creates a challenge to formal regulations concerning the informal sector. This also disproves the notion of a clear separation between state and society.

Licenses and Political Power Struggles

The issue of licensing plays a large role when concerning informal small- and micro-scale enterprises. This is particularly due to the fact that enterprises are not interested in paying licenses, as they will henceforth be subjected to paying taxes. In Tanzania, the issue of licenses was particularly critical for the low income earners, as the cost of licenses did not vary according to size or revenue. A peanut vendor would thus be necessitated to pay the same amount as a shoe repairman, or a hairdresser, even though the latter earns a greater profit than the former.

In 1985 licenses for all small businesses were required. The official reason given for this requirement was to ensure that vendors operated in 'authorised localities'. The main concern from the side of the City Council was to maintain good relations with the Asian business community in particular. The latter had expressed concern over vendors who operated outside their own shops and fixed premises. It was a policy issued by the Dar es Salaam City Council, after they in 1982 gained greater authority through the Urban Authorities Act. This latter act determined that district councils were now to control legislation particularly concerning businesses and operations. This turned out to be a rather lucrative business for the city council – not due to revenue collected from licenses, but that collected from bribes.

Low-income Vendors vs. City Council Militia

Those vendors that in fact did attempt to purchase licenses were often either unsuccessful, or had to wait for several months before acquiring their license. The City Council's Bureaucracy was so ineffective that the simple issuing of a license required both immense amounts of time and resources. Thus a vendor, despite having applied for a license, could be subjected to fines, harassment and having to pay bribes, as he had not obtained the actual physical license yet.

The Inspection Committee of the City Council's Manpower Department had hired a militia that was to detain any person operating without a license. However, this militia, controlled by six inspection officers of the City Council, were not interested in ridding the city of vendors. Quite the contrary, they used these vendors as a source of income. Aili Mari Tripp describes how the militia operated on a random basis, never interfering with the wealthier informal entrepreneurs. The militia, nor the City Council, would make any efforts to define 'approved locations', nor would they make an effort to speed up the process of obtaining licenses. In fact, rather than attempting to keep the city 'clean' of street vendors and avoid 'health hazards', as the authorities expressed, it seemed more likely that City Council was interested in keeping the vendors in the city as a source of revenue as Aili Mari Tripp suggests:

"Rather, it was aimed at keeping various patronage networks lubricated by extracting bribes from vendors."[104]

City Council vs. National and Cell Leaders

Despite the Leadership Code, during the 1980s and 1990s many leaders of Local Governments were involved in informal activities. Many had sideline projects of countless varieties to supplement their formal income, and thus saw the issue of licensing as problematic. The random harassment of low-income vendors reduced the legitimacy, not only of the City Council, but also of political leaders in general, as people began to understand that the higher layers of society were given unofficial immunity in the issue of licenses. Also, according to Aili Mari Tripp, cell leaders were more receptive towards demands of their 'subjects', rather than obeying the upper level leadership. There were several instances where a cell leader would hide and protect a person committing the crime of operating an unlicensed business when the militia were walking their rounds.

Cell leaders thus became patrons for those involved in informal activities, who were not in a high societal position to avoid bribes and harassment. These cell leaders would also act as a sort of

[104] Tripp, Aili Mari (1997), pg. 147

saving and banking system, as they would lend people money, and arrange business deals amongst others. Thus, the only instrument of power that the City Council possessed was that of force, while local leaders had established an undoubtedly stronger power basis – that of widespread support and legitimacy – as communities were dependant on these cell leaders for social and economic protection.

National leaders soon became a part of this power play. A new president had recently been sworn in and popularity was of dire importance. Nyerere, despite economic crisis, had remained immensely popular, and was still portrayed as *Baba ya Taifa* (Father of the Nation). Through his language policies of making Swahili the national language he had to some extent created a notion of national unity. The new president, Ali Hassan Mwinyi, was to create his own political identity as a national leader. A few years after president Mwinyi was sworn in he publicly condemned City Council for their treatment of vendors. In May 1989, a Daily News article reported the president to have said that:

"…"stern action" would be taken against any police or milita found harassing vendors. The president said that "the traders were actually engaged in legal activities, trying to struggle against harsh economic conditions facing everybody"…He said that all urban councils should help people engaged in petty businesses because that was one way of easing their economic burden."[105]

The City Council, despite this condemnation from the president, continued their random harassment of vendors to obtain bribes. Concerning the issuing of licenses the main political interests at play were those of the City Council's in extracting bribes to gain additional income; those of the cell leaders in protecting their own informal businesses as well as gaining a wider popular support bases and; national leaders in attempting to drive the population's attention away from economic distress and towards providing support for the marginalized in their informal activities.[106] All of the above particularly verifies the importance of the informal economy to the political scene, as well as the political forces and dynamics at play within this economy.

[105] Daily News 3rd May 1989 in Tripp, Aili Mari (1997), pg. 152
[106] Tripp, Aili Mari (1997), pg. 148

Conclusions and the Future of the Informal Sector in Tanzania

From 1983, when the Nguvu Kazi campaign against 'unproductive elements' was instigated, to the present, attitudes towards the informal economy have changed immensely. President Benjamin Mkapa was cited in an article written in January 2004 for saying that:

"The informal sector is presently a key thread of the fabric of our society, and of our economy. That is the reality… The time has come for the government, both central and local, and for the people in the public and formal sector as a whole, to accept the informal sector for what it is: a reality of life, an important provider of goods and services, and a market for goods and services provided by the formal sector… There is indeed an immense potential within the informal sector. This potential has been condemned to function outside the existing legal regime, constraining its ingenuity and productivity, and thereby denying the poor and the economy as a whole the benefits of the entrepreneurship that is vital to their self-determined well-being and the prosperity of their country."[107]

Describing the informal sector with such words as 'thread of the fabric of our society', 'immense potential' and 'productivity', the informal economy has come a long way in ascribing a decent label for itself. It is no longer considered clandestine, stagnant or marginal.

This change in attitude can be attributed to the political dynamics of the informal economy. Numerous factors contribute to this:

Seeing that it is undoubtedly not a stagnant sector people are attracted to informal economic activities as a means to achieve additional income. Given its lucrative and productive nature, it has become an important component to the national economy, and consequently government attempts to place this sector under state control by imposing upon it regulations have been frequent and still are. Nevertheless, to some extent the very nature of the informal economy disallows the state to interfere. Several activities within this economy originate on the basis of exiting the sphere of the state by sidestepping formal markets. Additionally, a large percentage of political actors partake in the informal economy as a source of additional income and networking and see no reason to impede these activities.

The persistence of actors to continue their informal activities despite harsh regulations against this has forced authorities to realise the importance of these activities to the general population and

[107] Mkapa, Benjamin quoted in Tagama, Herald (2004), pg. 50

particularly its importance in alleviating poverty. Furthermore, through either 'exit' strategies or non-compliance, informal actors have demonstrated their discontent with state policies directed at informal activities, and thereby de-legitimising the state immensely.

Forces within the informal sector have proven successful in establishing social security institutions, such as savings societies and cooperatives. These institutions have proven the ability of the informal sector to provide services the state failed to deliver. These – at least semi-autonomous – civil society organisations within the informal sector play an important role in several ways. Firstly they provide actors with means to organise their financial assets and thereby encourage investments that are often beneficial for the community as a whole, as described in the case of the rotating savings and credit societies. Secondly, institutions such as cooperatives provide a forum for actors to coordinate production and establishing market-information systems, thereby increasing productivity. Thirdly, these institutions are a way for actors to organise politically and pose a challenge to existing political structures as the case of the women's beer cooperative illustrated. The informal sector thus plays an important role in the development of a civil society operating both alongside the state and as a political challenger.

There are, however, other sides to the political dynamics of the informal sector as well. Despite its label, the informal sector is not as independent from the formal sphere as one might have thought. Due to the large percentage of the population participating in the informal economy this sector has attracted an array of political and economic interests. These interests have manifested themselves as political instruments often used by state actors in achieving certain aims. This is seen through the (mis)use of political power to obtain additional income through bribes, by using political power to protect ones own informal enterprises, or by supporting the informal sector as a means to obtain political votes. As the informal sector encompasses such a large part of the population, formulating policies in favour of informal activities has become important in acquiring political votes, as Dar es Salaam Regional Commissioner Yusuf Makamba stated:

"Harassing such potential voters is unacceptable. Next time they vote it will be against the ruling Chama Cha Mapinduzi party."[108]

[108] Makamba, Yusuf cited in Tagama, Herald (2004), pg. 50

These different political forces present within the informal sector stem from two main, and perhaps in theory conflicting, characteristics of the informal economy. Firstly is the flexibility and mobility of the informal economy that enables it to respond rapidly to the changing market conditions and customer demands. As this sector is thereby able to compete with the formal sector political interests naturally emerge, particularly attempting to either bring this sector under formal control, or by joining this sector. Secondly is the highly exploitative characteristic of this sector in which those with firmly established networks have the upper hand. Social security institutions have thus been necessary in an attempt to combat this.

The above described only constitutes a fragment of what the informal economy in Tanzania contains. Due to its heterogeneous nature, framing the informal economy as a single picture is problematic and next to impossible. Although the informal economy is a universal aspect, its structure and appearance is formed on individual bases depending on the social, economic and political framework within a given area. It is particularly this fact that makes attempts at regulating the informal economy and developing policies directed at the informal sector an intricate affair, often unable to foresee the consequences and social impact such political decisions might bring.

René Lemarchand's statement that the informal sector cannot possibly affect the political course is thus perhaps too pessimistic. Firstly, it is untrue that the informal sector is unable to organise in response to state regulations, as seen from the evidence above. Second of all, while agreeing with Lemarchand that the informal sector should not be idealised due to the potential criminal nature of certain activities, it is wrong to suggest that the entire sector is vested with criminality. On the other hand Aili Mari Tripp has a tendency to idealise the informal sector as she sees it as a potential and effective driving force in reforming policies. Her main weakness is that her analysis leaves out external factors, such as a changing political ideology and a shift in political actors. Aili Mari Tripp is perhaps too narrow in her analysis as she merely looks at the lower levels of society, whereas Lemarchand, too narrow as well, only looks at the clandestine and corrupt part of the informal sector. It is vital to understand the heterogeneous nature of the informal sector, and the adversity of activities taking place within it.

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