

# Social Relations and Associations in the Informal Sector in Kenya

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## Acronyms

<b>AIDS</b>	acquired immunodeficiency syndrome
<b>CBD</b>	central business district
<b>CME</b>	coordinated market economy
<b>CWA</b>	Catholic Women's Association
<b>DATO</b>	District Applied Technology Officer
<b>GAR</b>	gross attendance ratio
<b>HIV</b>	human immunodeficiency virus
<b>Ksh</b>	Kenyan shilling
<b>KTDA</b>	Kenya Tea Development Authority
<b>LME</b>	liberal market economy
<b>MDG</b>	Millennium Development Goal
<b>MP</b>	Member of Parliament
<b>NAR</b>	net attendance ratio
<b>NARC</b>	National Rainbow Coalition
<b>NCCK</b>	National Council of Churches of Kenya
<b>NGO</b>	non-governmental organization
<b>NSSF</b>	National Social Security Fund
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>PATO</b>	Provincial Applied Technology Officer
<b>RBA</b>	Retirement Benefit Authority
<b>SACCO</b>	Saving and Credit Cooperative
<b>SEWA</b>	Self-Employed Women's Association
<b>WBG</b>	Wapanda Baiskeli Group
<b>YMCA</b>	Young Men's Christian Association

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This work will be developed further into a book project entitled *Institutions of Hope: Grassroots Efforts from Social Economic Despair in Kenya*.

## **Summary/Résumé/Resumen**

### ***Summary***

Research on the informal sector tends to pay little attention to the evolution and dynamics of social institutions and social relations. Most institutional analysis compares the informal sector with the formal sector but does not deeply analyse the institutions of the informal sector in their own right. Informal sector policy and practice often prescribe interventions for the sector, but do not advance proposals on how to tap into and build on existing associations and relations. This paper examines the structure, organization and role of associations and social relations in the informal sector in Kenya, and argues the case for why analysis of the informal sector should take them into account.

Evidence from Kenya's informal sector shows that this sector is not just chaotic or disorganized, as some of the literature suggests. Numerous factors can push people into the informal economy – but once there, they mobilize social relations and associations to fulfil multiple tasks and functions. These social relations and associations are guided by particular norms and values that help in addressing fundamental concerns, such as organizing society and coordinating markets. Associations also play a role in production, consumption, distribution, protection and transformation.

Kinyanjui argues that straitjacketed formalization strategies may not always work when dealing with informal social relations and associations. There is a need to use alternative approaches that seek to address fragmentation – such as those recorded in economic history, for example, the incorporation of merchant guilds in London into the administration of the city – multiculturalism, corporatism and the co-optation of subaltern organizations in development policy and practice. The author's description and analysis seek to give an institutional meaning and logic to the social relations and associations of the people in Kenya's informal economy. She argues that they serve as institutions of hope in times of social economic despair because through them, members mobilize social finances, provide basic services and protection as well as negotiate for social justice. As such, it is important that these associations and relations are given space and opportunity.

At the time of writing, Mary Njeri Kinyanjui was a visiting research fellow at UNRISD. She is Senior Research Fellow at the Institute for Development Studies at the University of Nairobi.

### ***Résumé***

Les recherches sur le secteur informel ont tendance à peu s'intéresser à l'évolution et à la dynamique des institutions sociales et des rapports sociaux. La plupart comparent le secteur informel au secteur organisé mais n'analysent pas en profondeur les institutions du secteur informel pour ce qu'elles sont. Les politiques et pratiques relatives au secteur informel prescrivent souvent des interventions en sa faveur mais ne font pas de propositions sur la manière dont les associations et le tissu de relations en place pourraient être mis à profit. L'auteur examine ici la structure, l'organisation et le rôle des associations et des rapports sociaux dans le secteur informel au Kenya, et explique pourquoi ils devraient être pris en considération dans l'analyse du secteur informel.

Les données provenant du secteur informel kényen montrent qu'il n'est pas seulement chaotique ou désorganisé, comme voudrait le faire croire une partie de la littérature. De nombreux facteurs peuvent faire basculer des gens dans l'économie parallèle mais, une fois qu'ils y sont, ils mobilisent leurs rapports sociaux et leurs associations pour remplir de multiples tâches et fonctions. Ces rapports sociaux et associations sont guidés par des normes et valeurs particulières qui aident à répondre aux préoccupations fondamentales telles que l'organisation de la société et la coordination des marchés. Les associations jouent aussi un rôle dans la production, la consommation, la distribution, la protection et la transformation.



Mary Njeri Kinyanjui explique que les stratégies rigides de retour à l'économie organisée ne marchent pas toujours face aux rapports sociaux et aux associations de l'économie parallèle. Il faut appliquer d'autres méthodes pour réduire la fragmentation—telles que celles dont l'histoire économique a gardé la trace, par exemple l'incorporation des guildes des marchands de Londres dans l'administration de la cité—multiculturalisme, corporatisme et participation d'organisations subalternes choisies par cooptation aux politiques et pratiques de développement. Par sa description et son analyse, l'auteur cherche à donner un sens et une logique institutionnels aux rapports sociaux et aux associations populaires de l'économie kényenne parallèle. Elle explique qu'elles redonnent espoir dans les périodes de marasme économique et social parce que, par leur intermédiaire, les membres peuvent mobiliser des ressources à des fins sociales, assurer des services et une protection de base et négocier pour la justice sociale. Il est donc important que ces associations et rapports sociaux se voient ouvrir des débouchés.

Au moment de la rédaction de ce document, Mary Njeri Kinyanjui était chercheuse invitée à l'UNRISD. Elle est chercheuse principale à l'Institute for Development Studies de l'Université de Nairobi.

### **Resumen**

La investigación sobre el sector informal tiende a prestar poca atención a la evolución y la dinámica de las instituciones sociales y las relaciones sociales. La gran mayoría de los análisis institucionales compara el sector informal con el sector formal, pero no analiza a fondo las instituciones del sector informal por sí mismas. La política y práctica sobre el sector informal prescriben intervenciones para el sector, pero no sugieren propuestas sobre la forma de explotar y aprovechar las asociaciones y relaciones existentes. En este trabajo se examina la estructura, organización y función de las asociaciones y relaciones sociales en el sector informal de Kenya, y plantea por qué es necesario que el análisis del sector informal tome en cuenta estos elementos.

Los indicios que se desprenden del sector informal de Kenya demuestran que este sector no es simplemente caótico y desorganizado, como algunos documentos proponen. Un sinnúmero de factores puede llevar a las personas a la economía informal, pero una vez que estas llegan a ella, movilizan relaciones sociales y asociaciones para llevar a cabo múltiples tareas y funciones. Estas relaciones sociales y asociaciones siguen normas y valores particulares que ayudan a abordar inquietudes fundamentales, como la organización de la sociedad y la coordinación de los mercados. Las asociaciones también cumplen un papel en la producción, el consumo, la distribución, la protección y la transformación.

Kinyanjui sostiene que las estrategias rígidas de formalización quizás no siempre funcionen cuando se trata de las relaciones sociales y asociaciones informales. Es necesario utilizar enfoques alternativos para ocuparse de la fragmentación (como los que se registraron en la historia, por ejemplo, con la incorporación de las asociaciones de comerciantes de Londres a la administración de la ciudad), el multiculturalismo, el corporativismo y la cooptación de organizaciones subalternas en la política y la práctica del desarrollo. La descripción y el análisis que hace el autor buscan adscribir un significado y una lógica institucionales a las relaciones sociales y asociaciones de personas en la economía informal de Kenya. Arguye la investigadora que estas relaciones y asociaciones sirven de instituciones de esperanza en tiempos de desesperación económica social porque, a través de ellas, sus miembros movilizan financiamiento social, ofrecen servicios y protección básicos y negocian en procura de justicia social. En consecuencia, es importante brindar espacio y oportunidad a estas asociaciones y relaciones.

Al momento de escribir este trabajo, Mary Njeri Kinyanjui era investigadora visitante en UNRISD. Actualmente se desempeña como Investigadora Principal en el Instituto de Estudios sobre el Desarrollo de la Universidad de Nairobi.



## 1. Introduction

Some researchers postulate that informal social relations and associations are juxtaposed against formal market and state institutions.<sup>1</sup> According to North (1997), institutions are used by human beings to structure human interaction. They are the rules of a society and provide the framework of incentives that shape economic, political and social organizations. Formal institutions consist of laws, constitutions and rules while informal institutions consist of conventions, codes of conduct, norms and serve as platforms for behaviour.

It is largely argued that informal institutions stand for the deficiencies of the formal institutions or the market (Helmke and Levitsky 2004; Stiglitz 2000). The intriguing issue, however, is that informal institutions continue to persist in society and play critical roles in coordinating markets and organizing society in both developed and developing economies.<sup>2</sup> Two analytical strands stand out: one treats informal institutions as functional or problem-solving entities, while the other treats them as dysfunctional or problem-creating entities that breed clientelism, corruption and patrimonialism, and hence undermine the performance of markets.<sup>3</sup> Much of the corruption and inefficiency existing in African governments are attributed to the existence of informal institutions, such as clanism and patron-client relationships that capture the state.<sup>4</sup> Informal institutions are also accused of conducting illegal activities, such as drug cartels and urban gangs. Sexsmith (2009) demonstrates how informal social institutions in Sierra Leone have been involved in clandestine activities.

Mkandawire (2009) extends the debate on institutions further by arguing that they evolve within historical settings and serve multiple tasks. He challenges the doctrine of monotasking and monocropping institutions in Africa which has ignored the developmental and transformative role of institutions. When such institutional analysis is applied to informal institutions in Africa, the analysis points toward their involvement in violent conflict, corruption, cronyism and banditry as, for example, the conflict in Sierra Leone (Sexsmith 2009), or they can be socially productive amid violence by accelerating modernization, entrepreneurship and conflict mediation. The preponderance of informal institutions and the supposed negative effects prompted the World Bank's rallying call for "getting institutions right" in Africa (Mkandawire 2009).

This paper aims to restructure the informal institutions' debate by arguing that the social economic landscape in which formal and informal institutions operate in Africa is more complex and does not always render itself to bandit economies or violent conflict. There are many informal social relations and associations carrying out positive actions for society, like the Self Employed Women's Association (SEWA) of India<sup>5</sup> and other organizations documented by Chen et al. (2006), the activities documented by Medina (1997) with regard to Latin America scavengers, or the Mohammad Yunus's trust-based microfinance organizations in Bangladesh. The informal social relations and associations analysed in this paper play multiple roles, such as providing services and clamouring for social justice, as well as being avenues for mobilizing social finance and regulating members' behaviour. These roles are important for production, redistribution, protection and transformation of society and markets. These informal social relations and associations have been shaped by historical processes, including being completely ignored by policy, legal and regulatory frameworks, as well as culture and their own ingenuity. There is therefore a need for a multidimensional approach that addresses the way informal and formal institutions converge or diverge, as shown by Helmke and Leitsky (2004), who came up with four types of informal institutions, namely, complementary, accommodating, substitutive and competing.

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<sup>1</sup> Raiser 1997; Stiglitz 2000; North 1990; Helmke and Levitsky 2004; Farrell and Héritier 2003; Sexsmith 2009.

<sup>2</sup> Farrell and Héritier 2003; Helmke and Levitsky 2004; Ananthpur 2007; Kimathi 2005.

<sup>3</sup> Lindeberg 2003; Lauth 2000, cited in Helmke and Leitsky 2004; Sexsmith 2009.

<sup>4</sup> See the critique of studies on African states by Mkandawire (2001).

<sup>5</sup> See the SEWA website, [www.sewa.org](http://www.sewa.org).

Informal institutions are diverse and difficult to categorize into dualistic frameworks, or in terms of how they converge and diverge from formal institutions. In this paper, informal institutions refer to social relations and associations formed by people largely involved in the informal economy as traders, manufacturers and small-scale farmers. They are dominated by trust-based face-to-face relations, and transactions are largely based on interdependence between people who know each other and are bound together by trust and mutual agreement. They are also indigenous and engage in collective action and behaviour. The informal institutions covered in this paper include small-scale organizations of farmers, residents, traders and women. Thus, rather than draw comparisons and show how far or close they are to formal institutions, I prefer to study them as entities in their own right that organize members and interact with other bodies in the society in pursuit of social and economic action. It is argued here that informal rules and norms are perpetuated through informal institutions or formal ones, such as church groups. They also engage in transactions with formal institutions, such as government ministries.

Social relations and associations abound in Kenya and pervade social, economic and political spheres, where formal state institutions also exist. Informal small business people, small-scale farmers and women invest time and money in social relations and associations that are engaged in various activities and functions at the individual, household and community levels. The social relations and associations, albeit operating informally, facilitate the coordination of markets and organization of society—activities that the state is also tackling with limited success. Members of these social relations and associations coordinate markets and organize society through production, protection, distribution and transformation activities, as will be shown later. There is therefore need for a framework for incorporating these social relations and associations into social development policy in order to tap their latent potential.

The role of these informal relations and associations in market coordination and society transformation has gone somewhat unrecognized by academics, policy makers and development practitioners. Previously depicted in literature as being based on reciprocity and affection, the role of informal social relations and association is either grossly misunderstood in literature, or underestimated (Hyden 1980; McCormick et al. 2003). In his book, *African Philosophy and Religion*, Mbiti (1970) attempts to explain the importance of social relations and associations in African life, using the phrase: “I am because we are and we are because I am”. The community is because of the individual and the individual is because of the community. The principle of interdependence between individuals in a given society is expressed in many social relations and associations that abound in informal economies (Kinyanjui and Khayesi 2005; Kinyanjui 2008a). People depend on each other while undertaking social, economic and political transactions. People in the informal sector have social relations and form associations to facilitate coordinated economic, social and political actions. These associations are beyond kinship relations and are based on social norms derived from generalized morality in society. In *jua kali*<sup>6</sup> clusters and among small-scale farmers, individuals have certain norms regarding economic, social and political action. These norms form the bedrock for trust-based relationships. Trust influences how individuals make decisions about pricing and strategies for dealing with life’s challenges that have a bearing on the overall running of businesses. For them, running a business is a life-long process which should not be divorced from the various life-cycles. Thus, the keen support that individuals give to each other in cases of illness, death, birth and marriage can be attributed to this interdependence and is extended to the social, economic and political spheres. These activities are not transacted in a haphazard manner. They are carried out through informal social relations and associations that, in this paper, consist of women’s organizations, resident associations, small-scale farmers’ organizations and *jua kali* associations.

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<sup>6</sup> The term *jua kali* literally means “hot sun” or “scorching sun”. It is often used to describe micro and small businesses, which are referred to as informal in the literature.

The paper argues the case for considering social institutions and relations in informal sector policy and practice. It shows how this can be done by examining the structure, organization and role of associations and social relations in the informal sector in Kenya. The paper begins by explaining the factors underlying the invisibility of social relations and associations in development research and practice. This is followed by a description of forms, characteristics, governance and functions of emergent institutions, social relations and associations. A presentation of the framework for social relations and associations in development policy is then provided to illustrate ways by which the numerous informal social relations and associations in Kenya can be incorporated into development policy and practice. This is followed by the conclusions.

## **2. The Informal Sector in Kenya: Research and Policy Gaps**

For a long time, research on informality and development has not depicted the positive dynamism of the informal economy in development or social organization. The academy on informality and small businesses in Kenya advances two strands of discourse. The first strand mainly exhorts what the informal economy is not, and goes on to catalogue its weaknesses and the missing sociological and economic factors of the entrepreneur (Kinyanjui 2007). The object of academic study has mainly been the entrepreneur, who is always depicted as deficient in entrepreneurial practice, as well as having criminal characteristics (Mutongi 2006). Some studies contain rich documentaries of entrepreneurial profiles, such as previous occupation, gender, marital status and level of education, while other studies outline the size and sources of capital with little analytical work on the effect of capital on dynamism (McCormick and Pedersen 1996; Alila and Pedersen 2001). Although very little efforts are made to relate the entrepreneurs' profiles to informal sector dynamism, the studies end up recommending and prescribing the need, for example, for credit and training as a panacea for informal economy dynamism (Mulei and Bokea 1999). The prescriptions outline the role and actions of the state, non-governmental organizations (NGOs), international and local financiers in catalysing vibrancy in the informal sector, especially in targeting the missing sociological and economic inputs. These prescriptions include regulation, provision of credit through micro finance and training programmes to upgrade skills. Other prescriptions include social assistance to the organization of the informal sector (Orwa 2007). On the whole, the informal entrepreneur is depicted as one who is not able to coordinate the social and economic environment: a victim in dire need of help through intervention in the form of skills, credit and technology; and who also needs to be organized and regulated. These prescriptions have led to a myriad of intervention programmes, whose impact on the informal sector is another story altogether.

An emerging perspective is questioning the positions taken by the academy on several African issues. For example, Mkandawire (2001), in a paper on the developmental state in Africa, spotlights obvious weaknesses in the developmental state academy. He observes a disjuncture between an analytical tradition that insists on the impossibility of developmental states, and a prescriptive literature that presupposes the possibilities of their existence. Hart (2007), who has for a long time been associated with the informal economy academy, blames "whites" for failing to appreciate the positive dynamism taking place in Africa. He observes that, "rather than face up to a decline in their economic fortunes, the whites prefer to dwell on the misfortunes of black people and on Africa's apparently terminal exclusion from modern prosperity" (Hart 2007: 98).

It is difficult to explain why scholars choose to take such a path, yet academic writing demands objective analytical frameworks that include an extensive and thorough literature review. However, some of the omissions are very obvious; for example, there are papers and dissertations on entrepreneurship and small business in Kenya that do not refer to the two volumes on small enterprises published by the Institute for Development Studies at the University of Nairobi (namely, McCormick and Pedersen 1996; and Alila and Pedersen 2001). The scholarly approaches on Africa that are too eager to document challenges and failure, as

well as prescribe solutions, undoubtedly have a bearing on the kind of programmes and policy intervention outcomes. According to Mkandawire (2001:301), they rob individuals of the “opportunities to think creatively of modes of social organizations at both the macro- and micro-levels that can extricate African countries from the crises they confront. It also leaves the door wide open to unlimited intervention in African affairs, and ultimately dissipates whatever enthusiasm the locals may have had for development.” On the whole there is need for rethinking informality, as reflected in the works of Macharia (1997, 2003, 2007); Chen (2004) and Maloney (2003).

### **3. Drivers of Informality in Kenya**

It is argued here that informal institutions hinge on the informal sector – which is a product of exclusion and vulnerability – as well as on individual creative responses to vulnerability and exclusion. Vulnerability in the informal institutions is generated elsewhere. This paper argues that education and employment policies, as well as inheritance, legal structures and lack of social protection, generate vulnerability. These vulnerable individuals find their way into the informal economy, which has its own strategies for coordinating or exploiting them. The *jua kali* enterprise coordinates and organizes vulnerable individuals into labour and markets. The next section illustrates how the education system, employment policy and practice, inheritance, legal structures and lack of social protection generate vulnerability in individuals, who then find their way into the informal sector.

#### ***Education***

Needless to say, education plays an important role in development. The benefits of education to society are enormous, making investments in education not only a consumptive venture, but also transformative and distributive. Countries with high levels of adult literacy are more developed than those without. At the local level, literacy rates have a positive impact on the general welfare of society. For example, women’s education strengthens women’s agency, making it more informed and skilled (Sen 1999).

Although primary school enrolment in Kenya has improved over the years, especially after the introduction of free primary education in 2003, substantial wastage occurs within and between education life cycles. The education cycle consists of primary school learning, which caters for children aged between six and 13, secondary school learning for students aged between 14 and 17, and tertiary education (vocational and university). The greatest wastage takes place at the end of the primary school education cycle, where only 60–70 per cent of the pupils are admitted to secondary schools (Republic of Kenya 2008).

The 2005/2006 household budget survey depicts the seriousness of the problem by using the gross attendance ratio (GAR)<sup>7</sup> for primary and secondary schools. The GAR for primary school is 117 per cent, while that of secondary schools is 40 per cent. The net attendance ratio<sup>8</sup> (NAR) for primary schools is 79 per cent and that of secondary schools<sup>9</sup> 18.1 per cent. The GAR and NAR also differ along gender lines. The GAR for boys in primary schools is 119.1 per cent, while that for girls is 115 per cent. The GAR for girls in secondary schools is 37.8 per cent, while that of boys is 30.7 per cent. The NAR for boys in primary schools is 78 per cent, while that for girls is 80.2 per cent. The NAR for girls in secondary schools is 19.2 per cent, compared to 17 per cent for boys (Republic of Kenya 2007a: tables 4.4, 4.5).

The basic report of the *Kenya Integrated Household Budget Survey 2005/06* (Republic of Kenya 2007a) outlines 10 motives that keep children away from school before the age of 17, half of

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<sup>7</sup> The total number of primary school pupils, expressed as a percentage of the official school age (6–13 years old).

<sup>8</sup> The percentage of primary school population (6–13 years) that is attending primary school.

<sup>9</sup> The percentage of secondary school age (14–17 years) population that is attending school.

which are for social and cultural reasons, lack of interest or laziness, parents' failure to facilitate school attendance, school conflicts – especially related to religious beliefs – personal and family illnesses or disability.

Lack of interest in school or laziness was cited as a reason for school absenteeism by 5.9 per cent of the respondents in the 6–17 age group. In rural areas, 6.3 per cent gave this reason, compared to 1.9 per cent for urban areas. This variance is interesting since the proportion of respondents increases as pupils grow older (table 1). Respondents in the 6–9 years age group citing this as a reason were 3.4 per cent, but for the age category 10–14 years, it more than doubled at 7.5 per cent, further increasing to 9.3 per cent for the 15–17 age group. These individuals, who are excluded from the school system, find their way into the informal economy.

**Table 1: Reasons given by various age groups for not attending school (percentage)**

Reason for not attending school	Kenya	Rural	Urban	6–9	10–14	15–17
Too young to attend	12.6	12.5	12.8	26.0	0.0	0.0
No money for school	19.8	17.5	42.9	16.5	21.3	25.0
Poor quality of schools	1.9	1.9	1.5	1.9	1.9	1.9
Own illness/disability	6.6	6.1	12.6	3.9	11.4	6.1
Family illness/disability	3.3	3.5	1.4	2.0	4.3	4.8
Not interested/lazy	5.9	6.3	1.9	3.4	7.5	9.3
Parents did not allow attendance	29.1	30.4	16.0	19.6	38.6	37.2
Hard to work at home	22.4	23.0	16.6	14.2	30.6	29.2
School too far	7.9	8.4	2.4	6.5	10.6	7.3
School conflicts with beliefs	5.2	5.6	0.7	3.4	6.7	7.0
Other reasons	8.3	8.8	4.0	15.3	1.3	2.4
Not stated	4.7	5.0	1.4	3.5	4.7	7.2
<b>Total count</b>	<b>690,695</b>	<b>629,198</b>	<b>61,498</b>	<b>333,931</b>	<b>207,193</b>	<b>149,571</b>

Source: Republic of Kenya (2007a:39, table 4.3).

### ***Inheritance crisis***

Like individuals excluded by the education system, individuals without inheritance are also vulnerable and often find their way into the informal economy. Inheritance is one of the ways Kenyan communities redistributed wealth between generations. Traditionally, land and property were bequeathed to the next generation by trustees, and the trusteeship handed over to the next person in the lineage. These traditional inheritance structures and practices have now increasingly become constrained in many ways. Consequently, there is an inheritance crisis in the country, which is reflected in the tremendous increase of disputes related to land and succession, especially between 2004 and 2007.

Table 2 provides a picture of the succession and land related cases in the country while the *East African Standard* newspaper demonstrates how disinherited individuals end up in the informal sector in Kinoo – a rural area neighbouring Nairobi (Waweru 2008).

The inheritance crisis is a result of demographic and legal factors, as well as changes in modes of production. With regard to demographic factors, trustees could be living longer. Although HIV/AIDS has supposedly lowered the death rate in Kenya in the new millennium to 46 years, the number of people who are in the age cohort of 50–80 years is greater than it was before independence. In 1969, the number of people aged between 50 and 59 years totalled 488,442, while in 1999 the number was 1,144,822. In 1969, the number of people aged 60 years and above totalled 587,983, while in 1999 the total was 1,125,472 (Republic of Kenya 2007b: table 5). This could imply that individuals are living longer and are less likely to bequeath their property to

the young generation because they need an income to sustain them. As a result, a large majority of young people are left without an inheritance. The inheritance crisis is compounded by the high population densities per square kilometre in agricultural areas (table 3). Further, household land sizes have been reduced considerably over time. This means that households are unable to bequeath land to the next generation. The landless and those with uneconomical land units consequently move into the informal sector.

**Table 2: Succession and land cases filed between 2004 and 2007**

Year	Land	Per cent change	Succession	Per cent change
2004	604		3,944	
2005	799	24	3,583	-10
2006	1,439	44	4,146	14
2007	1,575	9	4,044	-3

**Source:** Republic of Kenya (2007b:241, table 15.6).

In addition, the land inheritance system is heavily patriarchal. The free leasehold land title holder has a lot of power over the use and disposal of land. Although Land Boards have been constituted to regulate land sales, the title holder still has a lot of leeway in making decisions on use and disposal of land, or may make decisions based on limited information. Further, policing systems to ensure that the land laws are enforced are inadequate.

**Table 3: Land size and population densities**

Region	Population	Number of households	Land area (km <sup>2</sup> )	Population density per km <sup>2</sup>
Kenya	28,686,607	6,371,370	581,677	49
Nairobi	2,143,254	649,426	696	3,079
Central	3,724,159	924,545	13,220	282
Coastal region	2,487,264	527,427	82,816	30
Eastern Kenya	4,631,779	957,648	153,473	30
North Eastern	962,143	148,006	128,124	8
Nyanza	4,392,196	968,014	12,547	350
Rift Valley	6,987,036	1,494,981	182,539	38
Western Kenya	3,358,776	701,323	8,264	406

**Source:** Republic of Kenya 2007b: table 4.

Also, commodity marketing boards such as the Coffee Board of Kenya, the Sugar Authority, the Cotton Board of Kenya, the Pyrethrum Board and the Kenya Tea Development Authorities (KTDA) have limited mechanisms for dealing with the intergeneration transfer of shares to siblings. If land were available, each sibling would plant their tea or coffee and register with the KTDA or with the local coffee cooperative. However, as shown above, such an option is not available due to land scarcity. Further, the farmers only have nominal registration numbers, which they use to sell products rather than limited liability companies. Thus, they cannot sell off their shares to their siblings. Moreover, since marketing boards and cooperatives do not include social protection and social insurance, such as old-age pensions, disability and medical insurance for their farmers while making payments, the farmers are also unwilling to let go their nominal registration without some form of income assurance.

### ***Social protection***

Compared to countries in the Organisation for Economic Co-operation and Development (OECD), and some Latin American and Asian countries, the status of social protection in Kenya is far from universal. It is concentrated among different categories and segments of workers in



the private and public sectors and does not cover the entire population. Pastoralists, farmers, fisherfolk and informal sector owners and workers are largely excluded from old-age protection and disability allowances or for women's care benefits. The retirement benefit sector comprises the National Social Security Fund (NSSF), 1,076 registered schemes, 12 individual schemes, the civil service insurance schemes and 12 registered fund managers. These schemes cover only 15 per cent of Kenya's working population. The NSSF covers 67 per cent of all people currently covered by pension schemes. The civil service pension scheme covers 22 per cent, while private pension schemes cover 11 per cent. The 12 individual schemes cover only 1 per cent of the working population (Republic of Kenya 2007c: 98). The NSSF is the oldest and largest pension scheme in Kenya. However, an employer can even have multipension schemes for different categories of workers. Different old-age schemes exist for permanent and contract workers, skilled and unskilled workers, senior and junior workers, unionized workers and management, and academic or non-academic staff in the case of higher institutions of education. Workers employed under casual labour contracts or those working in the informal sector have no old-age protection or disability allowances.

The government's attempts to redress social protection concerns, such as the introduction of the Retirement Benefit Authority (RBA) Act of 1997, which was later amended in 2006, have not improved social protection in Kenya. The Act introduced the RBA as a regulator of pensions. Little effort was undertaken to make social protection universal.

In case they lose their jobs, workers who are not adequately covered by old-age protection schemes start up small informal businesses and invest in plots and residential houses as a form of social insurance. This, in turn, enlarges informality. Due to the strong familial culture, siblings with means finance business start-ups for their unemployed siblings, while a spouse with a regular income would start up a business for an unemployed partner. Starting up a business is by and large preferred to investing in private insurance. Thus, a business becomes a safety net to compensate for irregular income. Likewise, the informal economy has individuals who are in business because it is a means of social protection, while others engage in business purely from an entrepreneurial perspective.

### ***Employment policies in industry***

Import substitution and export processing firms are supposed to expand and obliterate the non-modern sectors of the labour market.<sup>10</sup> These strategies have been pursued without consideration for the type of education, health needs and protection required by workers. The import substitution industrialization strategy, in particular, was pursued within the context of a labour market with the following characteristics: surplus labour, inadequate skills, male workers and rural migrant workers who eventually retire to the rural areas. Each of these characteristics has a significant impact on welfare and participation in informal institutions.

The surplus labour strand ensured that wages were kept low. Workers were hired and fired at will, since they were on casual labour contracts and could easily be replaced every two weeks. Casuals are usually uncertain about their job contract, and work under the constant fear of being made redundant at any time. Others consider themselves lucky and would therefore not want to jeopardize their precarious jobs by being actively involved in trade unions. Subsequently, as the industries thrived, the workers became impoverished and sought refuge in informal institutions.

This perhaps explains why hubs of import substitution industrialization, such as Thika town and Ruaraka area in Nairobi, have poor housing, educational and health facilities, and are hubs for informal institutions. In Thika, for instance, workers from the vast import substituting industries live in Kiandutu, Pilot and Majengo estates, while waiting for their job contracts to be regularized. The Ruaraka area has some very old import-substituting industries and new

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<sup>10</sup> Kinyanjui 1992, Mhone 1996; Tsikata 2009.

export-processing industries, but it is ringed by the squalid neighbourhoods of Kariobangi, Baba Ndogo and Mathare.

To compound matters, employment policies in industry are biased in favour of male workers, leaving out a large number of women. This male bias has arisen from the perception that men are the breadwinners, supposedly providing for everyone in the family, including women, children, the sick and the elderly (Elson 2004). This male bias was introduced by the colonialists through labour conscriptions and taxation. The men were forced to become workers in the capitalist economy through taxation, imprisonment, conscription, and later through mission education. This created an attitude toward wage employment and initiated a desire for self-employment, hence the need for individuals to have something to do after work hours or during their days off, for example, on weekends and vacations. This was coupled with the notion that wage employment is Western and foreign, and that to maintain one's "Africanness", one had to be a small-scale trader, a farmer or a livestock keeper.

Differences in resource allocation between different parts of the city result in some informal sectors. It is true that the informal buildings and their surroundings are, to say the least, unattractive or filthy (figures 1a, 1b, 2 and 3). But how did this come about? The city council, which keeps downtown Nairobi spotlessly clean (see figure 3), is also responsible for the cleanliness in Karindundu. However, a city council employee living in Karindundu will spend the whole day cleaning in downtown Nairobi but in the evening he or she will walk on a mountain of garbage on the way home. While he could have been cleaning with plenty of water in downtown Nairobi during the daytime, in the evening he will have to scramble for water from a communal tap at Karindundu.

**Figure 1a: Informal sector street in Nairobi**



**Figure 1b: Informal businesses in Nairobi**



**Figure 2: Clean downtown Nairobi**



**Figure 3: Dirty informal sector cluster**



The paradox of keeping wages low in the so-called labour surplus economies sacrifices professionalism and subjects people to informality. For, example, a poorly paid city council *askari* (security officer) will spend his day at work chasing street vendors and making arrests, but in the evening he will board the same *matatu* (Nissan mini bus used for public transport) with other street vendors and perhaps stop at a roadside maize roaster to buy a cob of maize to give him energy to walk to his home in Mathare North, since he has not eaten the whole day. An underpaid government architect will spend the day reviewing ambassadorial housing designs and approving house plans in a government office only to find that once he is home, his landlady is waiting at his door in his rented flat in Zimmerman estate, to announce that she is going to build an additional room in her tall building with immediate effect, thus cramping living conditions even more. A university professor will spend time teaching about the advantages and disadvantages of shopping malls and value chains, but in the evening she will stop at the Githurai roundabout on Thika Road and walk into the muddy market to buy cheap vegetables. A civil society activist or a gender activist will shout herself hoarse about disempowerment, violence and poverty in a five-star Nairobi hotel, but then will hoot and scream when a *mama mboga* (woman vegetable vendor) slows traffic while crossing the road. An industrialist will boast about his contributions to the national economy by paying tax, yet three-quarters of the factory workers cannot afford the bread he bakes, the beer he brews, wear the shirt he makes or use the cooking fat he produces.

### ***Disempowered professionals***

This is the life of Nairobians, where experts and non-experts are all reduced to helplessness and hopelessness by power centres, both global and local, that are beyond their control. Global power centres which impact significantly on Kenya could be anything from Western universities and research centres churning out tons of publications about development, to financiers and international NGOs. They could also be well-meaning philanthropists who propose untested projects to sort out problems in Nairobi. Local power centres range from churches, insider government bureaucrats and politicians, tele-evangelists, musicians, civil

society activists, certain individuals with access to money and political power. Popular music such as *Muthini wa Ngai* (God's poor), and comedies such as the *Kihenjo* series and *Inspekta Mwala*, satirize poverty and constitute part of the informal economy entertainment, which vividly captures how many voices are taken for granted when decisions are being made concerning social, economic and political issues. These artists largely demonstrate that the informal economy is the outcome of a political economy context, which is hinged on local and global concerns.

### **Laws and zoning regulations**

Informality and informal institutions are also sanctioned by law. While most authors tend to argue that *jua kali* businesses are not registered and have therefore no legal status (Mead and Morrison 1996; Republic of Kenya 1998), they nonetheless have some form of registration, although it may be deficient in structure and form. Local authority issues a daily receipt to traders and hawkers. However, the daily receipts given to hawkers do not bear their names, the kind of job they do, nor the category of hawking they are engaged in. Therefore, although the businesses are registered, they trade without a name. These traders pay a daily license of Kenyan shilling (Ksh) 100. The receipt specifies the amount of money paid by the trader but does not offer additional information, and is often shown to council *askaris* or regular police upon demand as proof of legal business. One might marvel at the nature of record keeping on the part of the council. How do they arrive at the daily fee of Ksh100? Why is there no indication to whom the receipt is being issued, for what reason and for what period of time? Moreover, the charges are the same for all categories of products sold in the market.

One could argue that it is more of a mental state of mind than rational business management practice and logic by the councils. For so long, individuals have continued trading anonymously, but not illegally. This has had significant implications for business and development policy. It raises fundamental concerns in relation to a trader's dignity and identity, which has a bearing on the relationship between the traders and the council. It also significantly affects the degree of solidarity between the council and traders in dealing with issues. Further, it affects monitoring of trends and citizen action. Anonymity also means that one cannot be held responsible for certain actions and that no legal action can be taken against such individuals.

Another category of informal enterprises have business names, which are issued by the Registrar of Societies at a fee. It is an official declaration that one is carrying out a business under a particular name. However, a business name is not a legal entity; the legal entity is the owner of the business. The legal requirements for registering a business name are as follows:

- carry out a name search to ensure that no other business exists with the same name;
- complete form BN2 at the Registrar of Societies; and
- procure a certificate of registration.

Business names do not confer legal rights to a business, such as limited liability companies. In the case of a legal problem, the individual is the legal entity and can therefore be sued. Further, business name registration is subject to abuse as individuals can register any number of business names and equally deregister such business names with ease. Like the anonymous trader, traders operating under a business name may also be limited by the extent to which they can undertake citizen action.

Both the anonymous trader and the business name are symptomatic of the mindset of an African entrepreneur. This perception informed a whole academic debate: whether Africans are indeed entrepreneurs?<sup>11</sup> One of the dominant strands in these debates is that African

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<sup>11</sup> Marris and Somerset 1971; King 1977; Livingstone 1991; Kinyanjui 1996; Mutongi 2006.

entrepreneurs are not really entrepreneurial. They can be in business today, but engage in something else tomorrow. The individual's participation in business is unpredictable, as one can be in and out of business as the situation and need arise. Individuals are also likely to combine business with other activities, such as wage employment. In the morning they may work on the farm and in the afternoon sell beer or groceries. To ease the paperwork and manage the erratic whimsical entrepreneur, the legal option is to issue the traders with an equally temporary business licensing system. Thus, the local authorities issue traders with anonymous receipts while the Registrar of Societies issues a business name.

The city structure exhibits location and space dynamics that reflect and encourage informality and informal institutions. The Nairobi City Council has, over time, established structures to house *jua kali* businesses, locally referred to as *Soko* (Kiswahili for "markets"). According to the Nairobi City Council website,<sup>12</sup> the markets are constructed in a bid to bring essential goods within the easy reach of consumers, and to provide facilities where the unemployed could be gainfully self-employed. The markets are therefore set up to alleviate unemployment through the provision of all types of stalls for various businesses. There are five categories of markets, as shown in table 4, namely, rental market stalls, self-constructed, tenant purchase self-constructed, hawkers' and wholesale markets. Except for Karen, Westlands and City market, they are all situated in the up-market city suburbs, and the remaining markets are located in former African quarters<sup>13</sup> and emerging spaces in the city.

The markets consist of many small stalls, as described in the following blog on Kenyatta market. Each stall serves as a business premise. The location and space dynamics in the markets dictate that only informal small businesses can be carried out. This has mainly to do with the size of the stall and their open nature.

29 November 2006 – Kenyatta Market

Date: Tue. 21 Nov 2006 08:56:37-0700

Ngumo, the estate we are living at is shaped like an "O". We are at the bottom right of that O and there is a place called "Kenyatta Market" which is in the top left of that O. Kenyatta Market is a place with tons of kiosks, people doing their business and is where most of the time we get our fruit. Did I mention how good the fruit is here? I'm surprised I'm not "bananaed" out. They have these mini bananas that are so sweet and good! (St. Louis Missouri Area Blog Talk, accessed on 22 September 2008).

Informality and informal institutions are also encouraged by temporary occupation sites issued by the city authorities. Largely inspired by the philosophy that anonymous traders and business name holders are transitory, the councils locate them in undeveloped zones in the city. Examples of temporary occupation sites where informal businesses have settled include Kamukunji, Ziwani, Grogan and Kirinyaga Road. Other temporary occupation sites are on road reserves, such as Roysambu and the Githurai roundabout on Thika Road, and Mutindwa on Kangundo Road. Businesses on these sites have no secure lease of tenure and can be relocated at any time.<sup>14</sup> Temporary occupation sites are allocated on an ad hoc basis and are sometimes in response to a crisis. For example, the hawkers' riots in Nairobi in 2006 and 2007 prompted the quick conversion of a section of Muthurwa Railway Residential Estate into a hawkers' market, where the government built a *matatu* terminus and stands for the hawkers. The idea was to get the hawkers off the central business district (CBD), where they were perceived as a menace, obstructing pedestrians and stifling traffic movement, dirtying the city streets, as well as offering unfair competition to other registered rent-paying businesses in the CBD. The latter category of businesses, arguably, pays tax to the local authority and the central government.

<sup>12</sup> [www.naibocity.org/departments/default2.asp?search+social\\_services](http://www.naibocity.org/departments/default2.asp?search+social_services), accessed on 22 September 2008.

<sup>13</sup> Nairobi was divided into three areas during the colonial period on the basis of race: European quarters, Asian quarters and African quarters.

<sup>14</sup> It is interesting that former President Daniel Arap Moi initiated *jua kali* shed construction for *Jua Kali* Associations on land zoned for other activities. For more information on the president's role in *jua kali*, see King (1996).

**Table 4: Market Stalls in Nairobi**

Market	No. of stalls
<i>Wholesale market</i>	
Wakulima	
<i>Rental Market Stall</i>	
City Market	118
Westlands	93
Karen	87
Ladhies Road	68
Ngara Market	319
Kariokor	206
Quarry road (Gikomba)	273
Shauri Moyo	277
New Pumwani	44
Jogoo Road	450
Umoja	320
<i>Self-constructed markets</i>	
Jericho Market	474
Kariobangi North	646
Kariobangi South	156
Kibera Market	673
Eastleigh	402
<i>Tenant Purchased Markets</i>	
Kenyatta National Hospital	608
Kahawa West	335
Githurai	295
<i>Tenant purchase self-constructed</i>	
Mathare North	53
Kayole One	53
Kayole Two	53
Kayole Three	53
<i>Hawkers' market</i>	
Muthurwa	

**Source:** [www.naibocity.org/departments/default2.asp?search+social\\_services](http://www.naibocity.org/departments/default2.asp?search+social_services), accessed on 16 November 2008.

The city authority's efforts to keep the street hawkers out of the CBD were met with stiff resistance. The hawkers organized a security ring that engaged the city security officers in running battles, resulting in destruction of life and property, as the hawkers refused to relent. However, after some time, the riots were quelled by converting Muthurwa into a hawkers' market. Whether this is a lasting solution or just a postponement of the problem remains to be seen. The message that the supposedly transitory category of Nairobi's informal business population was conveying seems not to have been taken seriously. In my opinion, the message was candid: that "we are no longer transitory, we are here to stay and we need to be planned for". I believe that the basic message of the street battles had to do with ownership, identity and control of the city's infrastructure, especially in the CBD.

## 4. Persistence of the Informal Sector in Kenya

Perhaps before addressing the factors that explain the persistence of the informal economy, one might be tempted to ask several rhetorical questions: Is the informal economy a reality or a mirage? Does it exist beyond the imagination of the academia, donors and policy makers? Is it fundamentally different from other economies? The informal economy is largely a developing country phenomenon noticeable in India, Latin America and Africa.<sup>15</sup>

The term informal economy has attracted a lot of attention since it was brought into the limelight by Keith Hart in the 1970s. Considerable efforts have been made to define the sector. Such efforts include the works of Chen et al. (2004); Chen (2006) and Kannan and Papola (2007). The informal economy is defined as the unorganized sector consisting of unincorporated private enterprises owned by individuals or households engaged in the sale and production of goods and services operated on a proprietary or partnership basis (Kannan and Papola 2007). Chen et al. (2004) attempt to broaden the definition of the informal sector by proposing a two-way perspective of looking at the sector: the old and new way of looking at the informal sector (table 5).

**Table 5: Some aspects of the old and new way of looking at the informal sector**

Old way	New way
Traditional economy that will wither and disappear	Informal sector is here to stay
Made up of marginally productive activities	Contributes to GDP and employment
Exists separately from the formal	Heavily linked to the formal sector
Reserve pool of surplus labour	Arising from "informalization"
Street traders and small-scale producers are	Wide range of resilient activities
Illegal entrepreneurs	Legal entrepreneurs who would cooperate to register their businesses
Survival activities not subject to economic policy	Has stable and dynamic enterprises

**Source:** Chen, 2004:15.

Besides offering this two-way perspective, Chen et al. (2004) extend the definition of the informal sector to include visible occupation groups carrying out businesses in city streets and lanes, such as barbers, cobblers, cart pushers and bicycle peddlers. It also includes invisible shops, small factories, homeworkers and garment stitching. In addition, it includes casual day labourers in agriculture, construction, restaurants and hotels. To this definition, I add micro and small businesses in manufacturing, trade, agriculture, transport and services, locally referred to as *jua kali*. I also extend the definition to cover micro and small businesses, using a wide range of social relations and associations based on trust and kinship, as well as enterprises with geographically defined borders that have defied the use of an expansionist capitalist enterprise firm in coordinating and controlling the market, especially with the way it deals with competitors. Informal enterprises have a degree of tolerance and collaborate with competitors in pricing. Rather than merge, they prefer to trade and do business juxtaposed to each other. The informal sector also refers to individuals similar to those described by King (1996), who defy the effects of heat from the tropical sun, and mediate and negotiate the processes of marginalization and exclusion by official political economy institutions in the context of a development state.

*Jua kali* is also used in an ideological context of working for oneself, breaking away from the system of wage labour. Rather than succumb to hopelessness and helplessness, or take up arms to dismantle the elite structures, *jua kali* adopts an entrepreneurial and a non-violent revolutionary path for addressing labour market concerns and social protection issues. The entrepreneurial path involves founding micro and small businesses in manufacturing, retail

<sup>15</sup> Maloney 2003; Hart 2007; ILO 2002; Chen et al. 2004; Bocquier 2005; Kenyon 2007; Hart 1973; Macharia 1997.



trade, periodic markets, transport and agriculture. Social relations and associations address social finance issues, such as health, old age, education, savings, security, life challenges, as well as dealing with social transformation and justice concerns. Thus, *jua kali* constitutes a representation of a large proportion of the Kenyan population attempting to create an institutional framework for addressing market and society concerns and welfare.

### ***Employment structure in the informal sector***

The employment structure reveals a well-coordinated informal labour market that serves as a basis for informal labour institutions. Although available evidence to illuminate the gains of self-employment or working for oneself in the *jua kali* sector is inadequate, anecdotal information suggests that there are some benefits associated with working for oneself, which include independence and freedom, as opposed to domination and control commonly associated with working for somebody else. In contrast, self-employment is associated with creativity, flexibility and some degree of personal gain and rewards that are sometimes beyond the comfort of working in some clerical jobs and casual labour in the public and private sectors.

There are two categories of self-employed individuals in *jua kali*. The first is the individual who is full-time self-employed, working eight hours a day, seven days a week. He takes functional leave only to worship, in case of illness, to condole and attend funerals of family and friends, and to take children to school. The second category is that of individuals who are both employed and self-employed, and to be found at their own businesses after leaving their employer's premises. They usually work at their businesses after 5:00 pm, before 8:00 am, on Saturdays, and during their leave days and public holidays.

The workers are sourced from family members, a combination of family and non-family members, or non-family workers. Each of these categories of workers means different things in terms of remuneration, job security and protection. Many family members do not consider themselves as wage earners in the enterprise. They prefer to view themselves as helping out in the family business. The family workers' category can further be broken down into spouse only, female only, and both female and male. The incorporation of either male or female members is determined by the dynamics of inheritance, that is, who is next in line to inherit the business. In cases where family and non-family workers are involved, business tasks are allocated differently. Family members may assume supervisory roles or be in charge of the cash box. They will also run errands, such as buying supplies or dispatching goods. Non-family members perform routine jobs, and special tasks are allocated on the basis of degree of trust. In some instances, one may find a case where a non-family member is in charge of the cashbox.

Family workers are preferred because they are likely to be loyal to the firm and therefore work in solidarity with the owner, and also because of their perceived honesty and reliability. Perhaps this is why they are entrusted with cash transactions. The use of family labour in the informal enterprise is important since it has a bearing on unionization, protection and security concerns. The model of authority where family workers are involved is different from others, especially when bargaining for rewards and benefits. In a firm, workers are unionized against the management, but in an informal firm workers are unionized against their blood relatives, making the dynamics of unionization very complicated. Thus, rather than informality, we are dealing with a model of authority and regulation sanctioned by kinship.

Recruitment of non-family workers in *jua kali* is becoming a common phenomenon. As a result, new dynamics of labour relations are emerging. The 2008 Economic Survey (Republic of Kenya 2008) reports that there were slightly over seven million people employed in the informal sector. Table 6 below depicts the growth and distribution of informal sector employment.

**Table 6: Growth and distribution of informal sector employment, 2003–2007**

<b>Activity</b>	<b>2003</b>	<b>2004</b>	<b>Per cent change</b>	<b>2005</b>	<b>Per cent change</b>	<b>2006</b>	<b>Per cent change</b>	<b>2007</b>	<b>Per cent change</b>
Manufacturing	1,236.1	1318.5	6.2	1434.0	8.1	1532.4	6.4	1619.0	5.3
Building and construction	163.8	173.7	5.7	190.2	8.7	24.2	21.4	215.0	-12.6
Wholesale and retail trade, hotels and restaurants	3,356	3,632.4	7.6	3890.8	6.6	4131.6	5.8	4,386.8	5.8
Transport and communication	170.1	186.5	8.8	197.9	5.8	209.8	5.7	223.0	5.9
Community, social and personal services	530.3	576.9	8.1	614.2	6.1	650.6	5.6	692.2	6.0
Others	259.8	280.2	7.3	301.2	7.0	320.1	5.9	339.6	5.7
<b>Total</b>	<b>5,716.4</b>	<b>6,168.2</b>		<b>6,628.3</b>		<b>7,048.7</b>		<b>7,475.6</b>	

**Source:** Republic of Kenya 2008:77, table 4.14.

### ***Industry structure***

Like other businesses, the *jua kali* sector is also amenable to economic classification and categorization. It can be classified on the basis of International Industrial Classification codes. The first set of categories includes extractive, secondary and tertiary classification. It can also be classified into the following broad categories: manufacturing, agriculture, transport, trade and services, each of which can be further classified into several sectors and subsectors, the differentiating factor being employment statistics or stock or volume (see box 1). Informal economic activities in the extractive industry category are defined as self-employed individuals using limited technology and vast social relations in extracting natural resources such as minerals, forest products and fishing. These activities are linked to the market through a series of intermediaries – state or non-state. Informal enterprises in manufacturing engage in a wide range of value addition or processing of products, such as household appliances, furniture and garments. Tertiary services comprise a range of repair services and trade activities carried out by self-employed individuals and other groups.

### ***The market structure of the informal sector***

The market for informal enterprises is extremely segmented. It ranges from convenience stores (*dukas* and kiosks) where products, such as sweets, cigarettes, lighters and newspapers, are sold to mini-supermarkets as well as to wholesale and batch stores. The market is variegated according to individualized and household daily consumption patterns, which include households making daily retail purchases for groceries to those making batch purchases for a week or a month. At the other end are wholesalers who engage in bulk breaking for small shops (*dukas*) or kiosks. Some informal activities have direct access to markets, while others are linked to markets by a set of intermediaries. One category of intermediaries is locally referred to as “brokers” who draw commissions for their efforts in facilitating a sale. The brokers are self-employed individuals who operate mainly in wholesale markets and who set prices for the various products in the market. At the very least, they play the role of guides by persuading customers to patronize shops offering bargains. They also link a goods’ supplier with buyers in the market and, being always alert to the flow of goods and services in the markets, are able to facilitate commodity movements.

**Box 1: *Jua kali* economic classification**

**Broad Categories**

*Extractive industries*

*Manufacturing*

*Tertiary*

**Extractive industries**

Saw milling,

Kisii soapstone and other small-scale mining

Sand harvesting

Fishing

Pastoralists

Commercial farming in small-scale agriculture holder schemes

**Manufacturing**

Metal: grills and gates, school boxes, household appliances

Garment: infants' clothes, women's dresses, boys' shirts and shorts, school uniforms, men's suits

Furniture: upholstery, school equipment

Leather and shoe making

Chemicals: candles, paints, spirits and detergents

**Tertiary**

*Repair services*

Vehicle repair: general mechanics, wiring, spray painting, upholstery

Electrical and electronic goods repair: electrical appliances, software development, computer serving and repair

Bicycle repair

Key-cutting and household goods repair

*Retail trade*

Garments

Household cleaning and hygienic products

Groceries: processed and semi-processed, branded

Foodstuff (unbranded): grains, legumes, cereals, meat, fish

Second-hand products: garments, household furniture

*Transport*

Paratransit travel

Taxis

Bicycles

*Matatus* (Nissan kombi vans)

Handcart pushers

*Mbamba* (usually refers to porters who transport bags or boxes on their backs within a cluster)

*Small-scale commercial agriculture*

Horticulture

Primary commodity

Coffee

Tea

Cotton

Household consumption

*Services*

Hair saloons

Hotels and restaurants

Food kiosks

Food vendors

Laundry services

Cyber cafes

Typing

Printing

**Source:** Adapted from Kinyanjui (2008b).

### ***The cultural dynamic in the organization of the informal sector***

The informal economy resonates with the African experience of eating habits, social relations, dress codes, life-long work versus formal employment. Indigenous foodstuffs constitute an important dimension of the informal economy. These foods include vegetables, sweet potatoes, fruits, bananas, cereals, legumes, fish and meat. Indigenous foodstuffs have cut a niche in the informal markets. Although supermarkets, such as Uchumi and Nakumatt, stock fresh produce, there is a strong tendency for shoppers to prefer informal markets. Shoppers will buy all other types of groceries from Nakumatt, Tusker Mattress and Uchumi Supermarkets but, more often than not, they will end up in Wakulima, Kangemi, Githurai, Gikomba or in other informal enterprise estates for indigenous foods. Some informal markets are well known for specializing in one particular type of foods, for example, Kisii bananas, *Mrenda* and *Terere* or *njahi*.

Informal hotels and kiosks are also avenues for African leisure activities, such as music, social drinking and eating out. Most of these hotels and kiosks do not have the ambiance of starred hotels but they are nonetheless famed for their indigenous foods, which are not only filling, but also nutritious and affordable. Foods range from Swahili dishes, such as *Pilau*, to *nyama choma* (roast meat), fish with *Kienyenji* and *Ugali*. They are also famous for *Rhumba*, *Mugithi* and *Lingala* music, and a host of other local entertainment activities. The informal sector has also captured the market for other leisure activities, such as playing darts and snooker.

African hairdressing is another dominant activity in the informal economy, including braiding, using human hair, in addition to weaving and use of gels. This work is largely dominated by women, although men are slowly but surely embracing this women-dominated trade.

The concept of job entry and exit and wage employment was introduced by the colonial administration. Before then, work was considered to be a life-long activity which was assigned according to one's age. No one ever left a job, or was declared redundant. Work activities were determined by seasons and structured around different periods in one's life. Thus childhood was for learning, adulthood for production and procreation, and old age for care work. There was therefore never a time when one could abandon one's work. Whatever work one did, was done for one's self and not for others.

The informal economy somewhat mimics life-long work. Youths start out as learners or trainees. The latter pay a fee for the training but they are also given a daily allowance that includes food and transport costs. After graduation, the trainees are more likely to become self-employed rather than seek to be employed. An adult in the cluster engages in production through self-employment and is likely to combine it with other activities. The elderly in the cluster have time to attend meetings, supervise and oversee businesses or return to rural areas where they engage in care work. Whatever one has done in one's youth supposedly supports one in old age. In informal employment all manner of social mechanisms are put in place to sustain life-long work. Therefore the informal economy is attractive because it mimics life-long work, reflecting human beings' transient life cycles.

The foregoing has shown that informality is fairly complex, and there is logic in the way it is structured in terms of employment and market structures as well as in terms of cultural dynamics. It pervades several spheres of society and markets and can therefore be viewed as a well-integrated system. Informal social relations and associations is one way through which the informal economy sustains itself and engages with markets and society.

## **5. Institutions and Associations in the Informal Economy**

Informal social relations and associations are trust-based organizations that informal sector actors establish to carry out transactions for coordinating markets and organizing society. Essentially these social relations and associations facilitate human interactions and are largely

informal. They act as agents for their members, perform multiple functions and are based on rules that are guided by local norms of human behaviour. There is a growing body of literature on informal social relations and associations.<sup>16</sup> This literature points toward the tendency of the informal sector to become organized and the wide use of informal rules in the management of these organizations.

Table 7 provides a list of informal institutions that facilitate interactions and transactions in the context of informality.<sup>17</sup> Kahawa Sukari Residents Welfare Association and the Nyahururu Road Women's Association are examples of organizations where residents in a new settlement band together to create cohesion and solidarity between members, as well as dealing with welfare concerns. The Kahawa Sukari Resident Welfare Association was founded by residents who were involved in developing homes in an area located about 55 kilometres from Nairobi. The residents had bought unserviced plots from the Kahawa Sukari Company. Kahawa Sukari Estate mirrors the image of *jua kali* philosophy. It is largely a self-development initiative realized within the context of hardships, due to lack of roads, water, electricity and insecurity. The residents came together to undertake joint investments in water, roads and security, zoning and labelling of roads.

**Table 7: Examples of informal social relations and associations\***

<b>Name</b>	<b>Membership</b>	<b>Bond</b>	<b>Territory</b>	<b>Gender</b>
Catholic Women Association (Kiriko Parish)	Members of the parish	Faith	Locality specific	Women only
Kahawa Sukari Residents Welfare Association	Members of Kahawa Sukari Estate (residence owners, not tenants)	General	Locality specific	Open to men and women who are residence owners
Kamukunji Jua Kali Welfare Associations	Members of Kamukunji Jua Kali cluster	General	Locality specific	Open to men and women
Kamweretho	Kikuyu women	Friendship, kinship	Locality not defined	Women only
Nyahururu Road Women's Association	Women residents of Nyahururu Road	Friendship/ neighbours	Locality specific	Women only
Marafiki Saving and Credit Organization (SACCO)	Wakulima Market Traders	Trade associates	Locality specific	Open to men and women
Mwemba Rice Traders	Women rice traders in Segga Market	Friendship and rice trading	Locality specific	Women rice traders only
Buchana Coffee Growers' Cooperative	Coffee growers in Buchana area	Small-scale coffee growers	Locality specific	Open to both men and women who are coffee growers
Wapanda Baiskeli Cotton Growers	Cotton growers in Kimamba	Friendship and cotton farming	Locality specific	Open to men and women

<sup>16</sup> See Kinyanjui (2002); Khayesi (2001); Sanyal (1991); Ahwireng-Obeng (1994); Selçuk (2005); Hilgers (2008); Sexsmith (2009).

<sup>17</sup> I have not selected these associations using any sampling techniques but I have encountered these organizations at different times in my career as a researcher and as a member of a developing community. I came across Marafiki SACCO, the Kahawa Sukari Resident Welfare Association, the Nyahururu Road Women Association and Kamweretho as a member of a developing community, while the other organizations were encountered while carrying out research at the Institute for Development Studies, University of Nairobi. I marvelled at the fact that these organizations are located in different parts of the country, with one located outside Kenya. Although they were operating in different time spans and localities, all had the common vision and motivation of organizing society and coordinating markets. Particularly evident was the spirit of the members to organize themselves in order to interact with other bodies in the market and society, as well as to enhance their lives by constructing enabling environments. Through these organizations, members are able to mediate and negotiate for better positions in society and in the market. Their efforts and initiatives convinced me that this is the most ideal way of uplifting people's lives. Development policy and practice should give these informal social relations and associations the space and opportunity to act as agents.

The Nyahururu Road Women's Association was formed mainly for solidarity and cohesion purposes in order to deal with gender-related concerns that included showing solidarity with other women, especially during the birth of a child, or in the unfortunate event of the death of a spouse. It was also an avenue for women to get to know each other as they settled in a new environment.

Marafiki<sup>18</sup> Savings and Credit Cooperative (SACCO) is a saving and credit organization for the Wakulima Market Traders, registered with the Ministry of Cooperatives, and mainly offering financial services to its members.

Mwemba Rice Traders is an organization for women traders in the Sega market in Mombasa. It was started as a support group for women rice traders in the region. It brands its rice, sets rice-cleaning standards, as well as selling packaging materials and offering financial services to its members.

The Catholic Women's Association (CWA), Kiriko Parish, is a faith-based organization whose membership is confined to the women of the Catholic faith belonging to the parish. Although the Catholic Church is a formal institution, the CWA largely operates as an informal organization. Its activities and transactions are carried out informally without being recorded. Members know each other and support each other in the case of illness and death.

Kamweretho is a movement made up of many women's groups. It is activist in nature, addressing several concerns of women and society, such as women's rights and entitlements, issues related to the politics of motherhood in the context of development, and providing social protection and insurance to its members and parents. It is also negotiating the positioning of women in the household and community through mass education. Finally, it is seeking the sanctioning of the new woman through parental blessings (Kinyanjui 2008b).

The Wapanda Baiskeli Group (WBG) is made up of cotton farmers. Most of the small-scale farmers in this group are young farmers in their thirties from Kimamba Village, Morogoro, who have leased land from the *mkuu wa mkoa* (district head). Land in Kimamba is very fertile and rainfall abundant. Although it is a rich agricultural village, there are no roads to facilitate the transfer of produce from the farms to the market. The farmers also encounter problems with brokers and intermediaries who buy cotton at throw-away prices, claiming that the international market determines the low prices. The cotton growers formed the association so that they can work together to obtain better prices.

### ***Characteristics of informal social relations and associations***

#### **Membership**

The associations exhibit multiple identities, as reflected in the nature of their membership, based on criteria including faith, gender, street, zone, sector and service. In some cases, membership is open to individuals possessing a specific attribute or carrying out a specific activity, for example, coffee growers or *jua kali* entrepreneurs. Examples of this kind of membership are found in associations, such as Kamukunji Jua Kali Association, Kahawa Sukari Welfare Association and Buchana Coffee Growers' Cooperative. Membership ties in these types of organizations transcend common kinship and personal bonds, such as faith, age and gender. They are based on a particular type of trade, activity or territory. These associations are issue-based and have some form of legal status. They are registered with the registrar of society or with the Ministry of Cooperatives. Members from these broad-based organizations also enrol in subsectoral organizations that may be faith-, kinship-, age group- or gender-based. Some other informal institutions have restricted membership, such as those based on kinship and age group as in the case of the gender-based institution, *Kamweretho*, where membership recruitment is

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<sup>18</sup> Marafiki is a Swahili word that means "friends".

through, for example, introduction by another member. Some organizations based on kinship or personal bonds, such as faith, age and friendship, may not have distinct territories, and members are spread over wide geographical areas.

### Governance

Groups regularize their membership through payment of registration fees and monthly dues, attending monthly meetings, barbeques and tea parties, and wearing uniforms. Membership fees ensure commitment, while tea parties and barbeques are avenues for bonding and cementing relationships. Group names and uniforms serve as a basis for identity. Some groups have constitutions which spell out the functions of the organizations, rules and regulations, and membership rights. They also have a governing body comprising a chairperson, a secretary, a treasurer, and committee members and deputies. The constitution spells out the procedures for holding elections of office bearers and annual general meetings, where accounts are read and election of office bearers carried out. However, the groups do not have appointed auditors or legal officers to help them interpret laws and regulations and enforce individual rights. The groups have measures such as penalties and expulsion from the group for dealing with individuals who default on payment or are late for meetings. The groups lack effective reward systems for good performance by members, or a secretariat to carry out day-to-day group activities. Some associations, such as the Buchana Cooperative and Mwemba Rice Traders, have some form of secretariat comprising a few general service workers who are not part of the membership.

### ***Functions of informal institutions***

Informal institutions serve numerous functions. They facilitate interaction with other bodies in pursuit of social and economic actions (table 8), which include community cohesion, behaviour regulation, basic social services provision, and social policy and justice, as well as social finances. Individuals use these informal institutions to engage with society, the local authority, the state and the market. Cohesion and solidarity give members the authority to act beyond the individual household when advancing a course or making investments. Usually groups perform more than one task. Thus a group could be involved in market regulation while at the same time being engaged in social finance concerns.

Informal institutions facilitate community cohesion and solidarity. By becoming members of informal social relations and associations, individuals have a sense of belonging to a community or neighbourhood that allow them to benefit from group dynamics and a feeling of togetherness, which further enhance solidarity and joint action. This strongly applies to recent migrants into the city, or city residents who have moved into *jua kali* residential areas, such as Kayole, Kasarani and Kahawa Sukari in Nairobi. One of the residents narrates her experience with the Nyahururu Road Women's Association and describes how it helped her become a member of the community as well as cope with a life shock.

I settled in Nyahururu road quietly. Although I was aware of the insecurity in Kahawa Sukari, I did not think I would be a victim until the night of 16 December 2005. The thieves not only stole my property but also raped me. I contemplated moving but found it difficult. For one, I found it difficult to ascribe to the theory that my attackers were people whose only motive was to steal. According to me, they had a bigger mission of keeping off 'intruders', the new rich, who were supposedly encroaching the area and challenging the existing social, political and economic hegemonies. In this case the 'intruder' was a woman who represented the new rich Kikuyu woman who is vilified and satirized in Kikuyu pop music for being a threat to the patriarchal social order. The Nyahururu Women's Association showed solidarity in a way that assuaged my fears. They organized prayers, gifts and money and assured me all will be well. They feared for me just like they feared for their husbands who were always targets whenever thieves attacked their houses. I knew the importance of Nyahururu Road Women's Association after the attack by

thugs. The members intimated to me that we are all vulnerable and we need to stay together since the number of days for a thief are numbered.

**Table 8: Functions of emergent institutions**

Function	Vision	Strategy	Actors	Target	Territory
Community cohesion	Solidarity, cohesion	Membership recruitment education	Group leaders, reference points and gatekeepers,	Society	Local, regional, national
Regulation	Order, social and market coordination	Co-optation and member recruitment	Group leaders, reference points and gatekeepers	Society, market, state	Local
Basic services provision: water, electricity and security	Members access to basic services	Pooled investment and resources, policy advocacy	Leaders, reference points and gatekeepers	State, private companies, local authorities	Local and regional
Social policy and finance	Skill development, protection	Pooled investments and resources	Group leaders, reference points and gatekeepers	Members, society, state and market	Local and regional
Skill development, Social protection	Social harmony market coordination	Mass education			
Risk insurance	Improved quality of life	Policy advocacy transformation			
Health insurance					
Moral concerns					
Resource transfers					
Coping with shocks					
Rights	Fair prices	Legal redress	Group leaders, reference points, gatekeepers	State, market, local authority	Local, regional and national
Justice	Access to resources Access to space	Violence Protest marches			

Kamweretho provides members with an identity that legitimizes the emergence of the new woman in society. Identity formation for women in post-colonial Kenya is important as women in Kenya were incorporated into the capitalist system through men. Women could only be allowed to migrate into the city if they were married, and most of the women migrants were regarded as prostitutes or immoral (see White 1990). Further, popular music depicts women as lacking in culture and loose morals. They were accused of spraying in-laws from rural areas with pesticide to kill germs and not teaching their children cultural values, while those who become rich are accused of turning their male workers into lovers (Kinnyanjui 2008a). The urban woman has continued to struggle with this image and has been looking for a platform to assert her decent morality.

Kamweretho offers women a platform for moral regeneration and to negotiate a position in society. The women use Christianity as a testimony for their moral uprightness. They pray, read the bible together and encourage each other to live decently. As a group they are able to carve out their own space where they practice individual and group freedom. Thus, Kamweretho provides women with the solidarity that helps them to negotiate their moral standing in society.

Through activism the members bring to the fore the paradox of reproduction and production in the community. Gender policy in Kenya sees reproduction in terms of controlling and regulating birth rates—hence its proposal for reproductive health and reduction of maternal death rates—but Kamweretho sees reproduction in terms of motherhood and nurturing, and the need for reproduction to be treated with dignity. When Kamweretho women reward and compensate their mothers for nurturing them, it challenges gender policy makers to think of rewarding women for the care activities which largely go unrecognized by the state. The women praise their mothers for enduring the scorching sun while going to prenatal and antenatal clinics and, by so doing, highlight the problems of reproduction in the context of poverty which the state fails to address. The women illustrate the struggles and sacrifices their mothers made as they juggled reproduction and production processes in order to nurture the



current generation of the labour force, of which the Kamweretho women are members. Unfortunately, the gender policy does not acknowledge the vital role the women play in care activities for nurturing the labour force.

Informal institutions regulate members' behaviour with the aim of instilling order and coordinating social action and markets. For example, sector associations of tomato and potato retailers band together to shield themselves from brokers who mediate between them and the farmers. Thus, although they are competitors, they form alliances to deal with demand and supply constraints in the informal sector markets. Brokers, on the other hand, closely monitor each other to ensure that none of them undercuts the other.

Behaviour regulation is realized through prescription of rules and norms. However, the majority of rules within *jua kali* clusters are not recorded, but members abide by them because they coordinate social and economic action. Implicit in the rules is the suppression of an individual's interests vis-à-vis the group's interests. This perhaps explains why the price of the metal box is uniform in the Kamukunji metal cluster, although there are many different enterprises making the same type of boxes; in the case of tomatoes, the price of a pile is uniform in spite of the large number of sellers.

To help the traders coordinate the rice market in Mombasa, the Mwemba group has self-regulating rules, the first of which concerns maintaining rice quality. It is common knowledge that some market women mix small portions of aromatic *pishori* rice with cheaper brands and then market it as *pishori*. To deal with this issue, the Mwemba group members are supposed to clean and pack rice within the market. It is forbidden to do this outside the designated area to prevent the rice being mixed with *sidano* rice or other rice brands. The traders are also required to sell their rice in two kilogram packets that are clearly labelled with the Mwemba trademark, and all packaging material has to be bought from the Mwemba secretariat. Members are not allowed to print their packaging materials. The group also sets the price for the two-kilogram packet of rice. Underpricing is prohibited. The group has also set up disciplinary measures, such as suspension from the group or stoppage of use of the group's trademark for law breakers. By imposing these rules and penalties, the members are able to coordinate demand and supply concerns of the market.

Other food crop retailers, such as those dealing with fruits, tomatoes and potatoes, do not have structures like those of Mwemba, but members have a common understanding about pricing and overall behaviour of individual members. They have systems of best business practice and social relations. For example, in several groups, members have saving schemes whereby, every evening, each member contributes 50 shillings. The total collections for that day are given to one person in the group. Some groups determine how the money should be spent, while others leave it open.

Lack of infrastructure, such as water, security, electricity and roads, is used as an indicator of underdevelopment in informal settlements. The challenge for governments and local authorities in Kenya has been how to mobilize resources for providing these services. The Kahawa Sukari Resident Welfare Association is an example of an association that has tried to evolve a model for mobilizing resources to provide water, security and roads. It has developed a participatory model where residents make a mandatory contribution for a given project, such as water, which seems to have been the most successful project so far. A new resident pays a fee of about Ksh18,000 to the zone account and then pays Ksh10,000 to the nearest neighbour as a compensation for connecting to his or her pipe. The individual then buys his or her pipes and pays for the fixing of the water metre to the Nairobi Water Company.

For security maintenance, the members make yearly contributions. Various zones construct gates on the main streets and also hire personnel to man the gates. In some instances some zones reinforce their security further by making extra contributions to hire their own security. The roads are maintained by a roads' committee which also mobilizes funds through the four

main churches in the estate, namely, the Catholic, Anglican, Deliverance and Presbyterian churches. The roads' committee also sells stickers to residents, but this has not been very effective because there is no mechanism of dealing with those who refuse to buy the stickers. There is a tendency to rely on the residents' goodwill rather than use laws and regulations.

Informal social institutions also deal with social policy finances. Social finances are mainly used for social protection, funeral and birth rites, marriage ceremonies or to meet financial needs occasioned by illness, loss of spouse or bread winner. They are also used for investment. Social protection is perceived within the broader sociological/religious context, as well as protection from income shortfalls. It also involves support during life-cycle challenges and celebrations. Support for education and illnesses are rendered through making contributions for hospitalization fees and buying medicine for an individual, family and parents. Some groups, for example, the Nyahururu Road Women's Association, pay out a specific amount of money in case of the death of a spouse or the birth of a baby from the group's kitty. Individuals are also encouraged to support the member by visiting the family of the deceased and by making another contribution according to their ability. Other groups specify a mandatory contribution, for example, in the case of a death or a birth. Such contributions may range from Ksh100 to Ksh1,000. Today, mobilizing funds for health bills and family support after the death of a breadwinner is becoming increasingly common. Some groups, such as Kamweretho, are extending support to parents under the parental blessing ceremony whereby they symbolically clothe parents, buy them household goods and provide them with monetary support for a project of their choice. This further illustrates the transformative roles of informal social relations and associations through social finances.

These groups also provide social assistance and insurance to each other. They specify an amount that each member should contribute within a specific time. While some groups make daily contributions, others do so weekly or monthly. Contributions in the Kamweretho group range from Ksh500 to Ksh1,000, while those for groups based in the markets could be less than Ksh100. If a group has 20 members and a monthly contribution of 500 for each member, the group is able to raise Ksh10,000 per month or Ksh120,000 per annum. This annual amount is larger than that received from microfinance group credit schemes. These contributions are then pooled and circulated between members on a rotational basis for one year, and ensure that members have a fallback plan should they encounter financial difficulties at any given time. Although some groups specify how the money should be used, the common practice is for the individual to decide whether to invest the money, save, buy a plot or pay school fees. Thus, by mobilizing social finances, members share risks, redistribute wealth and also engage in production activities.

Other groups are generally concerned with issues of morality in the community, for example, the CWA Kiriko and Kianguno Parish. This group was particularly concerned about the level of alcoholism among men and the effect it had on households. There are many reasons why men engage in excessive consumption of alcohol within the parish. The collapse of the coffee industry left many men jobless, while migrating to Thika was no longer an option because of the collapse of import-substituting industries. In addition, inheritance, as mentioned earlier, was declining. Alcoholism was blamed for increased poverty among men and their inability to support families. The women engaged themselves in a beer-pouring mission as a means of fighting alcoholism. They also targeted the single mothers who were living at the local shopping centres and selling beer and purportedly practising prostitution. By fighting prostitution, the women were also in a way protecting themselves from HIV/AIDS. The single women were accused of destroying these women's husbands through alcohol and prostitution.

Informal social relations and associations also address citizenship concerns and rights issues. Through the Kamweretho women's groups, women are asserting their identity and legitimizing their roles in the family and community. In some Kamweretho groups, unmarried women use the occasion to pay bride price that would have been paid by their would-be suitors to their fathers. This is done so that the woman can be recognized as a legitimate heir of her parents'

property, and so that she can also receive bride price for her own children. During the ceremonies, the unmarried women legitimize their unmarried status, while married women in the group reposition themselves again in the home by offering support to their families. The married women in the ceremonies demonstrate that they still belong to their original homes, where they have a role to play. In a more revolutionary manner, by making this gesture a married woman could be symbolically asking her male siblings what they have been doing for their parents since she left her home after being wed. The ceremony provides the woman with a forum to emotionally and figuratively articulate and speak out about issues concerning her relationship with her mother and also about her current status in society. Besides positioning themselves in society, the women are also indirectly seeking leadership. The group also enables members to make resource transfers to their parents, which include money and household goods, and which are considered a way of thanking parents and helping them improve their livelihoods.

Informal social institutions also help in seeking justice and fairness for their members, in their relationship to state trade and marketing boards. They organize rallies and protest marches to demonstrate against issues that negatively affect them. In some instances, they also file court cases. Gatukuyu Coffee Growers Cooperative is based in Kamwangi Division in Thika District and has a history of resistance against being bonded by trade intermediaries in international markets (see Kinyanjui 2002). Small-scale farmers from this organization are known for organizing themselves and mobilizing political action so as to deal with intermediaries in coffee marketing. In 1994, these farmers split into different groups, ostensibly in order to better manage the factories (Kinyanjui 2002). But in December 2004, the Minister for Cooperatives declared the split from the Gatukuyu society as null and void and withdrew the small-scale farmers' coffee trading licenses. He closed the farmers' bank account in an open-air meeting held at Gatukuyu Coffee Factory, proposing that the factories should be reorganized and remerged to form what would be known as the New Gatukuyu Coffee Growers Society. The New Gatukuyu Coffee Growers Society was made up of the following cooperatives: Mang'u Farmers Cooperative Society, 3Gs Farmers Co-operative Society, Makaiga Farmers Co-operative Society and Kanyoni Farmers Cooperative Society. Ideally, the New Gatukuyu would have been reorganized, like the new Kenya Cooperative Creameries, and hopefully the debts waived off by the state as it would have started trading as a new company. However attractive and progressive this idea was, the farmers rejected it. They wanted to run their businesses their own way. Moreover, the farmers from Buchana and Three Gs always felt that their coffee was better in quality than that supplied by the Gatukuyu, Magumu and Kairi factories. Indeed, coffee farming in the hinterland of Gatukuyu, Magumu and Kairi had reduced over time due to land subdivision arising from high population growth. Thus, most of the households have shifted to intensive horticulture, bananas, zero grazing and poultry farming rather than growing coffee. Increased migration of young women has also reduced available labour for coffee farming in these areas.

The effort to amalgamate the farmers into the New Gatukuyu through a directive by the Minister of Cooperatives and the Member of Parliament (MP) for the area ended in riots. A meeting at the Kamwangi Division headquarters, which was supposed to resolve the issue, ended in disarray, resulting in the killing of one man nicknamed Gadaffi, an ally of the then MP. Later, a parliamentary aspirant was arrested for the murder and accused of organizing mob justice. Finally, after a protracted court battle that took almost a year, the murder case was dismissed for lack of evidence.

A select Gatukuyu Coffee Farmers' Society, Buchana Coffee Growers' Cooperative, filed an application on 17 January 2005 to the High Court to quash the order made on 23 December 2004 by the then Minister for Cooperative Development and Marketing, merging the applicants' society with other societies, namely Mang'u Farmers Cooperative Society, 3Gs Farmers Co-operative Society, Makaiga Farmers Co-operative Society and Kanyoni Farmers Cooperative Society. The applicants also sought a further order to move to the High Court and quash the

order by the District Cooperative Officer, Thika, to freeze the applicant's bank accounts at Kenya Commercial Bank, Thika branch, and the Co-operative Bank branch.

During the court case, the farmers unanimously agreed not to sell their coffee until a resolution was reached. For two years they remained without earnings until the court case was heard and judgement passed in their favour. This case largely reflects the weaknesses of a top-down approach to initiating directives. The minister and the MP could have been right in calling for a reconfiguration of societies, but they underestimated the strength and intentions of the small-scale farmers in organizing themselves in a manner that they considered efficient and suitable for their needs.

The Kahawa Sukari court case is another illustration of the state apparatus failing to capture the logic of informal social relations and associations. However, in some instances, regulation is also difficult, as illustrated by the issues facing Kahawa Sukari Welfare Association, which began as one organization, only to split afterward. One group called itself the welfare association, while the other branded itself the plot owners' association. The main sources of dispute were with regard to the building of kiosks, and keeping of animals and chickens on the estate. One group was opposed to the keeping of animals, especially pigs, while the other supported this activity, arguing that those who kept these animals were the poor and unemployed of Kahawa Sukari, who needed to generate income by selling milk, pigs, chickens and eggs, as well as renting houses. The other group argued to the contrary that keeping animals was an environmental and health hazard, affecting the beauty of the estate. The two groups could not agree on the issue, and the matter was taken to court which, after a series of sittings, ruled in favour of the "poor" group. Although the litigating group had carried out some commendable planning work of zoning the estate, naming the streets and managing Kahawa Sukari Avenue by improving security and installing piped water, it lost the case.

In another instance, on Nyahuru road zone, a resident was accused of building a hostel. To discuss the issue, the zone chairman called for a meeting, which was adequately advertised to take place on a Sunday at 5 pm. The Ruiru municipal authority was informed about the intended construction and by moving quickly, managed to stop the work. The owner came to the meeting with his brother, a structural engineer who supposedly had drawn up the plans for the building and who vehemently argued that the design was styled as a family residence where the owner was planning to retire. The proposed wide and long corridors between the rooms, which had caused suspicion, were allegedly for ease of movement in old age. He was also accused of connecting to the water system without authorization, but he explained that he had not seen the need to contact anyone because water was available next to his plot. He, however, pleaded with the members that, for the sake of good neighbourliness, the zone members should forgive him, and subsequently the case was withdrawn.

The informal social relations and associations perform multiple functions in society and in the market, albeit their informality. According to the classification by Helmke and Levitsky (2004), these social relations and associations act as informal institutions that tend to substitute for formal state institutions. They are more innovative and quicker to respond to shocks and crises than state institutions. For example, Kamweretho has an innovative strategy of transferring resources to the elderly and mass education about women's rights and family size. Further, Kamweretho has also been able to creatively acculturate the women's rights movement by introducing a cultural element in their clamour for rights. The Kahawa Sukari Welfare Association operates as a state institution substitute in a new settlement. It provides basic facilities, such as water, security and electricity, to the settlement. The three women's organizations act as state substitutes in serving as citizen bureaus and providing social policy services to its members. The coffee-growers' cooperative at one level is supposed to serve as an instrument through which the state can appropriate the surplus from small-scale farmers, but it is struggling to operate as a rights-based organization to champion the cause of small-scale coffee farmers. Mwemba and Marafiki SACCO are providing regulatory and operational services to members that are not available at that level. This is because state institutions that

should provide such services are more concerned about large businesses. Moreover such state institutions are very centralized in Nairobi and located in places which are not accessible to people from the informal sector.

## 6. Informal Institutions and State Relationships

From the foregoing, it is clear that informal social relations and associations endeavour to overcome human constraints that hinder economic and social action. Their behaviour and strategy in structuring society and coordinating markets is fairly complex. Sometimes the informal institutions act independently of formal institutions. On other occasions they either collaborate with the formal institutions or else enter into direct conflict with them. The behaviour and strategy is contingent on factors, such as culture, ideology and distance that underlie the formation of groups. Historically, the *jua kali* people and small-scale farmers have experienced four distinct epochs in their relationships with the state. These are: the colonial era, the immediate post-independence period, the Nyayo era<sup>19</sup> and the National Rainbow Coalition (NARC) government era.

Since the colonial era, the informal economy (*jua kali* hawkers, small traders, small-scale farmers) has been struggling to ascend into the political economy, with different governments adopting varied strategies to deal with them. Each of these epochs has generated social relations and associations with deeply ingrained attitudes toward the economy and social processes.<sup>20</sup> In the first post-independence era, social relations and associations were widely used as instruments for pooling resources to buy land and property in the city from the departing white settlers and Asians. Such organizations included Mbo I Kamiti, Imenti South Farmers, Gataka Farmers, Nyakinyua, Kimuri and Progressive. During this period, *jua kali* people could organize themselves to even visit the head of state in order to present their concerns. Such was the case of the *matatu* operators who met with the then President Kenyatta with the request that they be allowed to do business without being harassed by the city council;<sup>21</sup> or the case of the Gatukuyu peasant farmers who discussed the issue of the leadership of Gatukuyu Coffee Growers Cooperative with President Jomo Kenyatta.<sup>22</sup> Among the delegates present was Njeri wa Ndugo, a freedom fighter from the area.

In the Nyayo era, the dynamics changed—the head of state paid visits to the people instead. For example, he paid special attention to *jua kali* sites, making historic visits to Ziwani and Kamukunji and initiating the construction of sheds to shield the artisans from the hot sun. He also created a full-fledged ministry—the Ministry of Technology and Technical Training—the sole responsibility of which was to look into the issues of *jua kali* training and technology transfer. He also directed local authorities to allocate land to *jua kali* sites and advised the traders people to form associations from the national to the local levels. These associations were then federated into the national Federation of Jua Kali Associations, with headquarters at Kariobangi, where a *jua kali* training centre was also initiated. Interestingly, however, while the president was, on the one hand, initiating a framework for organizing *jua kali*, similar frameworks for *matatus* and farmers were under threat. The Kenya Farmers' Associations collapsed, while the Matatu Association was greatly weakened.

The NARC government policies tended to lean toward the formal sector. Its formalization policies have affected informality adversely. For example, the massive cleaning up of city streets through the removal of kiosks and city hawkers has left many jobless. The policies also involve containing the informal sector in EastLands, away from the CBD, as epitomized in the construction of the Hawkers' Market and the location of the Eastlands *matatus* terminus at

<sup>19</sup> This refers to the period (1978–2002) during which President Daniel Toroitich arap Moi was in power.

<sup>20</sup> A detailed historical account of social relations and associations in the different historical epochs is a subject for further research.

<sup>21</sup> Communication with Dr. Melechdzdek Khayesi, a researcher of *matatu* mode of transport in Nairobi, 12 December 2009.

<sup>22</sup> The visit is documented in Kinyanjui (2002).

Muthurwa on Jogoo Road. Michuki *matatu* reforms, which aimed at initiating discipline in the *matatu* industry and reducing traffic accidents, were also an attempt by the NARC government to contain the disruption by the informal economy on the orderliness of the Nairobi citizen.

The two papers, *Kenya Economic Recovery Strategy for Wealth and Employment Creation* (Republic of Kenya 2003) and *Kenya Vision 2030* (Republic of Kenya 2007d), have no space for *jua kali* associations. The Sessional Paper No. 2 of 2005 on micro and small enterprises treats *jua kali* associations as recipients of benevolence from the private sector and the government. Nowhere are *jua kali* associations recognized as active players in the design of the change process or in the strategies for change. For example, a new organization would be created to raise funds and run the affairs of the *jua kali* sector. Again, *Vision 2030* is weak on the actors for change. It outlines broad themes of activities but the actors are not discussed. According to the *Vision*, it is the state and the formal private sector, and definitely not the *jua kali* sector, that will bring *Vision 2030* to reality.

While the NARC government made attempts to keep informality out of the CBD and to contain it in spaces like Muthurwa, a new dynamic is taking place in the political economy. This involves the election of individuals with informal sector backgrounds by people from the informal sector. An example of this scenario is the election of the MP for Kamukunji, as reported in the *East African Standard* of 12 October 2008 (Wanjura 2008).<sup>23</sup> The reporter pointed out that, unlike his predecessor, the new MP was from the grassroots. The article vividly describes the presence of *jua kali* people with their tools of trade as they escorted their MP to the swearing-in ceremony. Whether this is a sign of things to come is an issue that only time will reveal.

## **7. Formalization of Informal Social Relations and Associations**

Formalization of social relations and associations requires a number of programmes, such as skilled training, financing and organizing members. It assumes that the ground is *a tabula rasa*, a clean empty plate to be filled up. One approach proposes systematic formalization through cultural change and targeting of sociological and economic deficiencies in sectors, such as finance, skills, technology and promotion of an entrepreneurial culture. The government decides who to allocate the goodies to at its own convenience.

*Jua kali* welfare associations were superimposed against other existing forms of social formations in *jua kali* clusters. The current wave of organizing the sector through the formation of groups, such as the Kenya National Alliance of Street Vendors and Informal Traders (KENASVIT) and the Nairobi Informal Sector Confederation (NISCOF), disregards the existing ones. Sometimes these approaches have involved the creation of parallel organizations alongside already existing ones, with blatant disregard for any form of integration, resulting in problems for everyone involved. For example, Ziwani and Kigandaini *jua kali* clusters have two parallel organizations, each of which was fronting the same agenda but via a different strategy. Surprisingly, academics, policy makers and development partners do not seem to understand the multiple social formation dynamics operating in the clusters.

The new groups are considered somewhat progressive since they meet the governments and development practitioners' prescriptions and requirements. Although membership of these organizations may appear progressive, it does not necessarily command the constituents of the specific *jua kali* cluster. In a seminar held in Thika to disseminate the cluster research findings, I sent out invitations through the registered *jua kali* association officials. On arrival at the Young Men's Christian Association (YMCA) hall on the day of the meeting, the turnout was very low.

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<sup>23</sup> Another example is the Kahawa Sukari Ward Councillor. I am sure there could be many more individuals from the informal sector background joining politics, and it would be interesting to see how they handle debates surrounding the informal sector in the councils and in parliament.

While at about 10:00 am I was contemplating postponing the meeting, one of the Mariko officials, the late Mr. Wamatawa, saved the day. He went back to the cluster and mobilized artisans to come to the meeting, who then participated actively in the seminar. This was a clear indication that the mandate to run the cluster was with the Mariko group, which had an accumulated history of experience with the Thika Municipal Authority, and not the new organization. To the progressives, the Mariko group comprises troublemakers who defy government regulations.

The Moi government created the Ministry of Technical Training and Research, which had strong links with the *jua kali* sector. It had an official line up of District Applied Technology Officers (DATOs) and Provincial Applied Technology Officers (PATOs) who were represented in all districts and provinces. The Ministry addressed the question of *jua kali* land, training and organization of *jua kali* exhibitions. Although the government appears to have entered into a pact with the sector, the opposition-dominated politics of Nairobi, which drew the informal sector's active involvement, seems to suggest otherwise.

The NARC government, after taking over from President Moi, abolished the Ministry of Applied Technology and transferred the DATOs and PATOs to the Ministry of Labour. Subsequent documents that were meant to deal with the revival of the economy under the NARC government—*Economic Recovery and Wealth Creation*, and *Vision 2030*, launched by the Grand Coalition government—are silent on the role of the *jua kali*. The NARC government and the Grand Coalition seem to be more concerned with formal education, such as free education and targeting of specific groups, like youths and women, in poverty alleviation. The government's strategy of incorporating the informal economy into development policy and practice is based on the premise that if the formal sector expands, the development of the *jua kali* sector will no longer be a prerequisite for development. It is therefore not surprising that the *jua kali* sector is not represented in the Economic and Social Council, despite the unquestionable role it has played in creating jobs over the years.

*Vision 2030* was formulated in 2007 by the NARC government as a road map for initiating policies that will make Kenya a middle-income country by the year 2030 (Republic of Kenya 2007d). Its key objectives include poverty alleviation and the realization of the Millennium Development Goals (MDGs). Its implementation is hinged on three pillars—economic, social and political. It is an ambitious vision which targets agriculture, tourism, trade, education, health and good governance as key in making Kenya a middle-income country by the year 2030. It is argued here that its success will, however, depend on the incorporation of informal institutions, such as the Kahawa Sukari Welfare Organization, Gatukuyu Coffee Growers' Cooperative Society and Jua Kali Associations, and the aspirations of the Kamweretho groups. This is because these associations represent many people and consist of concerted grassroots efforts that individuals make to improve their social and economic status. Excluding informal institutions in *Vision 2030* means leaving out a large number of people from mainstream policies.

## **8. Building on Informal Sector Relations and Associations in Development Theory and Practice**

The previous sections have discussed representations of the informal institutions in discourse, practice and policy, as well as the relationship between informal institutions and the state. The informal institutions comprise a collection of firms, interest groups and social movements characterized by energies and dynamism with functions that involve coordination of markets and society. This makes the incorporation of informal institutions in social development a complex phenomenon which is beyond formalization. Incorporation should be a negotiated and contested process between the state and informal institutions in order to bring in new social development policy realities. It should consist of multiple approaches, such as representation,

co-optation, participation, corporatism activism and building alliances between informal and state institutions, as reflected in the political economic history of the developed economies of the United States and Western Europe, and the developing economies of Asia and Latin America. Some of the experiences for incorporating informal institutions into social development include: multiculturalism, the London guilds' model, varieties of capitalism corporatism, subaltern efforts, and varieties and models of capitalism approaches. This paper will use the national gender development policy of 2000 and *Vision 2030* as platforms for incorporating informal social relations and associations into social development. It will show how the principles of multiculturalism, the London guilds, corporatism, subaltern groups and varieties of capitalism can be used in incorporating informal social relations and associations into social development through the national gender development policy and *Vision 2030*.

Table 9 provides a model for incorporating informal institutions into social development. The model consists of a multiple strategy approach that includes using the firms, interest groups and social movement approaches. Although maps of models and varieties of capitalism are drawn with Africans not figuring on world maps, it is argued here that informality constitutes the African brand of capitalism. Social development in Africa will take place if this brand of capitalism is given space and opportunity in social development discourse, policy and practice. The way to achieve this is by using the London Guilds model and the principles of varieties of capitalism models.

**Table 9: A model for incorporating informal institutions in social development**

<b>Approach</b>	<b>Activity</b>	<b>Strategies</b>	<b>Territory</b>
Firms	Market coordination	Representation	Firm level
London Guild Model	Labour market	Partnership	Local level
varieties of capitalism	organization	Alliances	National level
	Social policy		
Interest groups	Legal and regulatory	Participatory	Local level
Multiculturalism	framework	Representation	National level
SEWA	Rights and freedoms	Negotiation	
	Law and order		
Social movements	Identity	Representation	Local
Corporatism	Ideology	Partnership	National
	Social cohesion	Participatory	
	Social policy	Activism	
	Rights and individual freedoms		

### ***The London Guild model***

One way through which the state can incorporate these organizations in the management of *Vision 2030* is by borrowing from the London Guild model. London guilds were commanding a substantial share of the city's economy between the eleventh and sixteenth centuries and were invited to join the city administration (Hickson and Turner 2005). The guilds, which later became livery companies, were merchant and traders' associations that exerted considerable power over their members and regulated their behaviour and, according to Adam Smith, restricted inputs of both human and physical capital (Hickson and Turner 2005). They also organized training and setting of crafts' standards.

Like the guilds, informal institutions mobilize and have considerable influence on their membership. They also set up regulations on members' behaviour and determine the processes and actions that the members engage in. By inviting these organizations to join in the management of *Vision 2030*, the entire membership of informal institutions will be reached through their systems and operational structures. In this way the reality of informality will be



brought to the mainstream of *Vision 2030*. For example, productivity in agriculture cannot be raised unless the concerns of organizations, like the Gatukuyu Coffee Growers Cooperative, are met. In order to meet the requirements of these organizations, the government needs to enter into some form of alliance with these informal organizations, like the London city administration did with the guilds.

It is also imperative to co-opt the women's informal institutions in *Vision 2030*. Women's organizations, on the other hand, are raising some fundamental identity, social insurance, care and protection concerns that are integral to the achievement of *Vision 2030*. They are also raising human rights' concerns of identity, reproduction and motherhood in relation to the politics and responsibilities of being a woman in a development context. These attributes need to be taken on board for development processes to take place in *Vision 2030*. This again can be done through the formation of alliances between the state and informal institutions, which will lead to the capture of informal institutions that have the strength of mobilizing people and living up to their aspirations, as seen in the efforts of Kahawa Sukari Welfare Association in its function of providing water, security and roads to its members.

### ***Varieties of the capitalism model***

Hall and Soskice (2001) have shown the institutional restructuring of national political economies into two forms, namely, the liberal market economies (LMEs) and the coordinated market economies (CMEs). Firms operate in these institutional arrangements and impact on economic performance and social well-being. In LMEs, firms coordinate market activities through hierarchies and competitive market arrangements. In CMEs, firms use non-market relationships in dealing with actors.

The variety of capitalism models demonstrates the need to treat informal firms and institutions as actors with competencies for performing social and economic action rather than treating them as mere recipients of benevolence from state institutions. In this regard, the state needs to recognize that informal institutions are characterized by multiple actors, who instil norms and attitudes in their members, which, in turn, influence the way they act. Further, informal institutions give power to their members which can be tapped for social and economic action. Besides, they have systems of incentives and sanctions which reinforce behaviour.

Members of informal institutions have both vertical and horizontal relationships that serve as a framework or platform for social and economic action, and influence the flow of goods and services in the market and society. Thus, if a member of an informal institution buys a plot in a given locality, he is likely to influence the rest. This is because members are likely to follow what others do even in issues related to education, health and social insurance. The extensive exchange of information facilitates economic and social action, and the state could use a combination of competitive market relationships, like those found in LMEs, and non-market relationships, as found in CMEs, to integrate informal institutions into the national political economy. This would give rise to a mixed institutional framework that would combine market and non-market forces in strategic interactions.

### ***Multiculturalism***

The multiculturalism approach will offer the process of incorporating informal institutions into social development, with the principle that each cultural group has an identity to be respected and incorporated rather than subdued.<sup>24</sup> Groups are characterized by differences in religion, culture, ethnicity, race, politics and economics. A multiculturalism approach will offer solutions to the highly fragmented nature of informal institutions. It will involve dealing with fragmentation on the basis of religion, culture, race, ethnicity, politics and economics.

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<sup>24</sup> See Bekker and Leildé (2003); Fenton (2003); Bhattacharyya (2003); Waseem (2003).

Any meaningful integration should deal with fragmentation and aim at taking these different organizations into account. Thus, for example, in order for the National Gender Development Policy to be effective, there is a need for the ministry to take into account the three variants of women's informal organizations, as discussed in this paper – Nyahururu Women's Association, Catholic Women's Association and Kamweretho. The Nyahururu Women's Association members are concerned about how to cope with life shocks, such as the death of a spouse and the specific needs of women when coping with the birth of a child. The Catholic Women's Association is concerned about the masculinity crisis and the role women play in exacerbating the crisis. This is surprising because, from a women's rights perspective, gender-based problems are seen to emanate from men but, in this instance, the Catholic Women's Association members view the problem as being caused by women who sell beer to men and are also sexworkers. The Kamweretho group is concerned about issues of identity, reproduction and motherhood, social justice and resource transfers to the members' parents. The goals, perceptions, processes and aspirations of these groups need to be taken into account when incorporating them into social development policy.

The orientation and concerns of these three organizations and their approaches to social development are somewhat different from the National Gender Development Policy of 2000.<sup>25</sup> The gender policy is at variance with the interest and motives of these informal institutions as it is largely geared toward meeting the needs of elite women with some advanced level of education – hence, the concern about job distribution between men and women, largely ignoring the majority of women with basic education who derive their livelihood from the informal economy, small-scale agriculture, fishing and pastoralism. Gender policy is concerned about access to services and representation of women in decision-making bodies, but the three different women's movements are concerned about women's identities, dignity, processes and approaches to issues of women and men in society. Further, gender policy is geared toward providing loans for business investments through the Women's Loan Fund,<sup>26</sup> but the women's organizations are concerned about issues of insurance, protection and resource transfer to enable them to cope with life shocks rather than business loans. A multicultural approach for incorporating informal institutions into gender policy would address these discrepancies and disarrays as well as call for the incorporation of women's informal institutions' visions, motives, processes and identities in social development and give them space to operate. This, in turn, would lead to the development of an all-inclusive gender policy that would recognize all exiting groups and also take into consideration the aspirations of different types of women's institutions.

SEWA is a successful subaltern model through which self-employed women in India have managed to articulate their rights. It began as a trade union that grew out of the textile labour association<sup>27</sup> and is based on the principles of organized strength geared toward the awakening of consciousness in workers. Since its inception in 1971, it has accomplished much for self-employed women, including finding housing for women who previously lived in the streets, registering the organization as a trade union, receiving official recognition locally and internationally, defending the Harijans (lower caste people), as well as providing women with employment and self-reliance. Today, SEWA boasts of many cooperatives supporting self-employed poor women.<sup>28</sup> It is able to achieve all this because it is really three movements in one; a labour movement, a cooperative and a women's movement.<sup>29</sup> The association is indeed a model for the informal women's organizations, which could learn about building alliances, as well as registering as a trade union and imbuing the principles of all three social movements.

Corporatism is another way that informal institutions could be incorporated into social development. Corporatism refers to the situation where civic assemblies that represent

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<sup>25</sup> Republic of Kenya 2000.

<sup>26</sup> According to an article by the Daily Nation on 8 December 2008 (Kweyu 2008), millions in women's funds remain uncollected.

<sup>27</sup> [www.sewa.org/aboutus/history.asp](http://www.sewa.org/aboutus/history.asp), accessed on 23 February 2009.

<sup>28</sup> [www.sewa.org/aboutus/index.asp](http://www.sewa.org/aboutus/index.asp), accessed on 23 February 2009.

<sup>29</sup> [www.sewa.org/aboutus/index.asp](http://www.sewa.org/aboutus/index.asp), accessed on 23 February 2009.

economic, industrial, agrarian, social, cultural and professional groups hold power in political and economic systems.<sup>30</sup> Informal institutions can be incorporated into development planning committees, as corporate bodies in the Constituency Development Committees and the District Development Committees as civic bodies. Representatives drawn from informal associations will bring in consistency and articulate their group's views and visions. Within the context of corporatism, informal institutions will be able to challenge the state into incorporating the issues that the informal institutions represent in a collaborative manner. It is argued here that successful incorporation of informal institutions into social development can only take place within a framework that empowers them legally and politically. This can be done with the frameworks of multiculturalism, variety of capitalism, corporatism or using subaltern approaches—the key issue first being the recognition that informal institutions have internal consistency and control over a large proportion of the population that cannot continue to be excluded. By incorporating informal institutions into social development policy, the power and cultural struggle between formal and informal institutions will be considerably lowered. Essentially, development policy and practice should provide space and opportunity for informal social relations and associations to coordinate markets and organize society.

## 9. Conclusion

This paper challenges informal sector researchers to consider the role of social relations and institutions in the informal sector in Kenya, and has shown that these institutions and relations are vital in organizing activities of the sector as they play vital roles. It calls upon researchers to move from the tendency of unfavourably comparing informal and formal sectors on selected variables, and begin to critically analyse the institutions of the informal sector in their own right. Like all institutions, informal sector institutions and relations have intended and unintended outcomes, are a basis for solidarity, have a degree of adaptability, are spaces of activism and are transformative. The challenge this paper poses to policy and practice is how to build on these important elements of informal sector institutions and relations, instead of imposing formalization and service development models that have been developed in ivory towers and centres of influence.

The paper argues the case for considering informal sector relations and institutions in development theory and practice. It seeks out the logic in informality and brings institutional meaning to informality institutions including social relations and associations. The thesis of the paper is that there is logic in informality and there are institutions that act as agents of coordinating markets and organizing society that need to be brought on board into mainstream development policy and practice.

The paper concludes by observing that informal social relations and associations are the institutions of hope for *jua kali* people, residents and small-scale farmers because of their ability to coordinate markets and organize society through production, redistribution and transformative activities. The specific strengths of these institutions of hope can be tapped by drawing on experiences of models of inclusion from other parts of the world. Such models include the model that was used to incorporate merchant guilds into the city administration of London, while the other model is one that borrows from the principles of multiculturalism, varieties of capitalism and corporatism. Efforts made to bring subaltern groups in India and Latin America into development policy and practice without converting or affecting the identity of the groups through modernization or formalization could also serve as another model. Essentially, the process should involve creating environments for these informal social relations and associations to evolve without making them lose their identity and strengths, in addition to giving them space and opportunities to actualize their creative energies in market coordination and organizing society.

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<sup>30</sup> <http://en.wikipedia.org/wiki/corporatism>, accessed on 20 March 2009.

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