

## INFORMAL TRADING IN LUANDA'S MARKETS, STREETS AND AT HOME



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# **INFORMAL TRADING IN LUANDA'S MARKETS, STREETS AND AT HOME IN LUANDA**

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## **EXECUTIVE SUMMARY**

The informal trading economy began to develop in Luanda in the late 1970s or early 1980s. The second wave of returnees from the Congo/Zaire in the early 1980s appears to have played an important role in developing informal economic activities, along with former soldiers of the MPLA who had been based in countries to the north before 1975. The breakdown of the colonial economy and the failure to effectively create a planned economy in the post-independence period mean that the population of Luanda had to create its own *esquemas* (strategies) to survive. Part of this informal economy was hidden (an informalisation of the formal economy as nominally formal enterprises deviated further from the rules in order to continue in operation) but it began to manifest itself on the streets of Luanda and other towns. Eventually the Government permitted the concentration of informal trading in the market of Roque Santeiro in an attempt to remove informal trading from the streets. However the informal trading economy continued to grow throughout the 1980s and 1990s, creating new market places while continuing to involve trading on the streets. Important factors that led to the continued growth of the informal economy were

- The growth of the population of the cities
- The crisis of the rural economy
- Growing level of imports
- Unrealistic exchange rate and other manifestation of a dysfunctional formal economic system
- Breakdown of the formal supply systems
- Breakdown of national industrial production
- Payment of salaries in kind (for example companies paying workers in kind and the workers then selling on these products).

The various attempts at economic reform reduced the amount of formal sector employment, but did not make the changes to the economy that would produce employment-creating growth, particularly as there was no effective peace and the economy depended on oil exports and the import of most food and other essentials. In the mid-1990s it was estimated that 42% of families in Luanda depended solely on the informal sector for their survival while many other families were in both the formal and informal economy and highly reliant on informal trading for their day-to-day needs. As in other countries, the programme of economic liberalisation was based on a sharp reduction in the capacity of the State for socio-economic intervention and did not lead to expected development nor promote the improvement in the conditions of life of the population.

The final achievement of peace in 2002, however, has meant a considerable change in context. Whilst previous periods of peace in Angola (such as between 1993 and 1998) were in fact periods of “not peace but not war” in which considerable tensions remained and there was little free movement of people and goods around the country, the post-2002 period has seen the ending of security problems in Angola for the first time since 1975. This has created the potential for stimulation of local production, increasing local employment and reducing the dependence on imports: this would be expected to increase the amount of value-added employment (and perhaps increase the size of the formal sector) and change the nature of trading. Since 2002 the currency has been stable at about 75 to 80 Kwanzas to the Dollar, as the Government has managed to gain effective control of the economy. Furthermore there has been a rapid growth of the economy driven by high oil prices and rapidly growing oil production, until the decline in oil prices in late 2008. Just after peace was achieved, the Government announced a programme to restructure the trading system, which aimed to gradual transform informal commerce into formal commerce. Specific elements of were the closure, rebuilding and opening of markets, changing the geographical location of markets and the number of people who are able to trade in markets and preventing trading in the streets (especially near to the centre of the city where it was thought that street trading had a negative impact on the aesthetics of the city).

The main objective of this research has been to understand how the informal trading economy has evolved in the new context of Angola post-2002. It has attempted to understand whether the more favourable context for economic activity in Angola (free movement of people and goods, stable and realistic exchange rate, economic growth on the back of petroleum production, attempts to create a favourable business environment) have had any effect on the informal economy, and in particular on small-scale informal retail trade which makes up the bulk of the informal economy in Luanda. Has this aspect of the informal economy shrunk or grown or remained as important as before? Have any of the characteristics changed, in terms of who is involved in the sector, the locations of the informal and the type of products bought and sold. Three particular locations of the informal retail economy have been examined: trading in markets, trading in the street and trading at home. The study used a variety of methods. It began with a literature review which looked at the origins of the informal economy in Luanda and at the factors that might affect the informal marketing economy in the new context. A large-scale survey from 2005 through 2007 was used to understand better the informal trading economy and some parts of this survey were repeated in 2008 as a comparison. Case studies were used to examine in depth the systems of marketing of a small number of basic products, and to look at the trends at key points in the informal trading economy, such as Roque Santeiro market. Counts were made of the number of people selling in a number of locations (markets and in the street) in 2005 and this was repeated in 2008. The number of economic activities taking place in houses was also counted in both years. This was used to measure trends in the size and location of informal trading.

The main finding is that the informal trading economy continues to be a very significant part of the economy of Luanda and an important contribution to livelihoods. Informal economic activities appear not to have declined in number and the majority of activities continue to be principally trading rather than services or production. The main form of informal production is furniture making and wood working (making doors and window frames) mainly concentrated in Kikolo Market. There is a trend of increasing production of food products (such as meals or sweets) though from a very low base.

A second finding is that there are short-term variations in the number of economic activities in certain locations: government campaigns to reduce street trading in certain areas, or the closure of certain markets (permanently or for rebuilding) reduce the number of activities in these areas though often people return to trade in these areas at a later date. Where there is a demand by purchasers, such as near taxi terminals or from drivers trapped in slow-moving traffic, traders respond by offering goods at these locations. Campaigns only have a short-term effect in suppressing economic activity in these places.

An important trend is the decreasing importance of Roque Santeiro in the informal trading system of Luanda. In the late 1980s and 1990s Roque Santeiro was the hub of the informal economy: goods from other areas of Angola and goods imported through the port (a short distance away) were traded in bulk at Roque Santeiro and then traded in smaller quantities in other areas of Roque Santeiro or in other locations. Roque Santeiro contained both wholesale and retail functions. However the population of Luanda has continued to grow at about 7% per year and since 2002 the population has tended to spread outwards from the centre of Luanda particularly to the east and south. There has also been a significant increase in traffic and in traffic congestion. Roque Santeiro acquired a reputation as a congested area. New markets, further out from the centre of the city, have taken on the function of wholesale markets for products coming from the rest of the country. Katinton Market is a new, open space south of the airport where trucks from Kwanza Sul and Benguela (and other parts of the south of Angola) unload agricultural products, which is then purchased in sack loads for resale in other markets. Kikolo Market, further north, has similarly grown at the expense of Roque Santeiro. Goods now rarely come directly from the port to Roque Santeiro as security at the port has improved, and importers and wholesalers have taken over abandoned factories (in the comunas of Cazenga and Hoji-ya Henda) which they use as warehouses for resale of imported goods.

The other reason for the decline in importance of Roque Santeiro is the announcement by the Government that Roque Santeiro would be closed and that the activities and traders would be transferred to Panguila, which is 25 kms north of Roque Santeiro in a newly developing area. A market has been built at Panguila but at the time of publication there has been no activity there and no attempt yet has been made to transfer traders to this place; it is in fact difficult to see how people and activities could be directly transferred to Panguila. However traders at Roque Santeiro feel that eventually Roque Santeiro will close (and that the area of the market is now valuable land that will be redeveloped for high-class urban commercial or residential functions) so move their activities gradually to other locations when the opportunity arises.

Other markets which have been closed for rebuilding with money from Chinese credits (usually using Chinese construction companies) and then re-opened have fewer spaces than the markets that they replace. Former traders continue to trade outside these markets or in the street nearby when there is a high demand in these areas. The market of Asa Branca (now officially known as Cazenga market) now consists of two markets, the official, rebuilt market and an unofficial (but organised) market alongside. In fact there can be an advantage to trading outside a market: customers often prefer to buy without leaving their car or while waiting for a taxi, and without passing through the crowds in a market. Sellers tend to be looking for customers, rather than customers looking for sellers, as there is a relative over-supply of sellers: people continue to seek work in informal trading, thus maintaining competition between sellers which manifests itself in sellers seeking out purchasers.

Thus overall the number of people trading in markets would appear to be declining, with a relocation to markets further from the city centre as the city grows outwards and the number of places in some markets is reduced. The number of people trading in the street fluctuates, as rebuilding of a road or the presence of police and *fiscais* discourages trading in those locations, but new locations are found. Overall it would appear that the number of people trading in the street (both moving around and in a fixed place) continues at about the same level, as the demand exists in certain places outside. There is, however, a gradual tendency for these street trading activities to migrate to the doorways of blocks of flats or of houses, where they attract less attention from *fiscais* and which allows the trader to more easily combine trading with domestic activities. This is part of the most important trend, which is the rapid growth of trading activities at home. In almost all areas sampled, there were more homes with economic activities in 2008 than in 2005, and there were more often multiple activities in a home. While the sale of beer has always been a common activity at home (because beer can be kept cold if there is electricity and a refrigerator) this is sometimes accompanied by the sale of groceries or clothes or services, such as hairdressing. This also appears to be part of a trend towards creation of small-scale shops within, or attached to homes.

The informal trading economy in Luanda thus appears to be still growing, more than six years after the achievement of peace in Angola. The informal trading economy appears to be entrenched, despite the disappearance of the original factors that led to its appearance almost 30 years ago, and despite government policies to formalize the informal economy and despite the apparent possibility to develop formal, job-creating activities that build on the resources of the country as a whole. The migration of trading activities to people's residences, and their gradual transformation into *cantinas* or small shops, which eventually acquire official documents, appears to be one way in which trading becomes formalized. This would however be a very slow process. There are also some signs of an increase in activities at home that add some value (such as making ice cream or cakes), and in trading in agricultural products from Angola. However these are also gradual trends, and the bulk of the informal economy continues to be trading and most products being traded are imported. However the main underlying factor that contributes to the continued importance of the informal trading economy is the shortage of formal employment, which leads to large numbers of people creating their own economic activities in ways that require only small amounts of capital and low levels of skill. There are gaps in the formal trading system, such a lack of shops in peri-urban areas and a demand from customers in accessible locations such as in the street or near to their homes. Throughout

Luanda the informal economy brings goods close to people's doors, to their car windows or in front of them on the street.

The shortage of formal employment persists because the rebuilding of the formal economy is only in its first stages. Although peace was achieved in 2002, it was only in 2006 that serious reconstruction activities began. Angola had hoped for a donors' conference that would provide funds for reconstruction but the donors added a series of new conditions before it could be held. Eventually the price of oil began to rise rapidly in 2005 and Angola decided to seek oil-backed loans (from China and elsewhere) for reconstruction. These came through in 2006 at which point reconstruction of roads and railways into the interior began, and funds became available for agricultural and marketing projects. It is thus only in about 2008 that access to inland cities such as Malanje, Uige, Huambo and Kuito was significantly improved. Reconstruction projects themselves have provided some jobs for Angolans, though the need to complete projects speedily (and their financing through tied lines of credit backed by future oil production) has led to the import of significant amounts of foreign skilled and supervisory labour. It is too soon to see how rebuilding of transport links and the marketing system will have an impact through increased internal economic activity and thus on the availability of formal employment.

Informal trading is a low capital and low skill activity. Traders ask for easier access to credit as a solution to their difficulties of low turnover and income, and access to credit has become somewhat easier since 2002 through micro-credit from Micro-Finance Institutions<sup>1</sup> and small scale credit through banks. Micro-loans allow traders to increase their turnover and provide mobility to move into marketing more profitable commodities or transform into service businesses. In the poverty end of the market there is an over-supply of sellers and traders report that one of their main problems is a lack of clients. Micro-credit allows traders to escape from this poverty trap which often holds traders who do not have access to credit. In addition to the access to financial services the transformation of the informal economy needs to be accompanied by business development services and professional training that help develop new business niches and develop activities that add more value, such as trading between regions of the country and transformation of primary materials. Business development services and professional training are as yet of very small-scale compared to the need: at least 100,000 people enter the job market in Luanda each year while BDS and professional training cater for a few hundred people. As yet the skills do not appear to be being created to develop the non-oil formal economy on a scale that will absorb significant amounts of labour.

Another barrier to the development of economic activities that add value, and eventually create formal sector employment, is the unreliability of services such as electricity supply and water supply. Reconstruction activities should improve these services, but so far the extension of these services is barely keeping pace with the growth in the size of the city. It should also be noted that the important factor is the unreliability of the service, and not its existence per se, and these services continue to be unreliable: capital investment from foreign credit lines may not resolve institutional and management problems that are behind unreliability and it is as yet unclear whether enough has been invested in skills and institutions to guarantee uninterrupted supplies.

The programme of the Government to formalize the informal economy has, so far, mainly acted as a signal to informal traders to adapt to changing circumstances. However if there were a concerted effort by the Government to prevent trading in the street in the central, urban core or the city, (which is part of the Government's programme) while alternative employment is not available, this would have a significant negative impact on those relying on the informal trading economy for survival. Similarly the Government's programme includes the intention to prevent wholesale activities in or near the central core of the city, including the suppression of wholesale trade in the abandoned factories in Cazenga and Hoji-ya-Henda: the intention is to concentrate

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<sup>1</sup> Development Workshop launched Angola's first micro-finance institution called KixiCredito which targets the urban poor in the informal economy in Luanda and several other provincial cities.

wholesale trading in a special zone in Viana more than 20 kms from the city. This would disrupt trading circuits in imported goods, which could have a significant negative impact on the livelihoods of those who retail these products, adding to their travel time and cutting into their slim profit margins. Similarly any action to limit activities at markets like Katinton or Kikolo could disrupt trading circuits in national agricultural products which mainly pass through these markets. National trade in rural production is still mainly informal and, if the policy is to encourage this trade, actions that affect the informal markets through which it passes should be avoided.

The current project has researched the principal changes and documented the current development directions in order to forecast how the urban informal trade economy will evolve in Angola. Much depends on how the Government's agenda; whether to formalize the informal economy or to suppress it. If they begin to restrict informal economic activities, through suppression of street trading or market places, before skills are developed to develop the formal economy, there is likely to be a negative impact in livelihoods which are still highly dependent on informal trading activities. The gradual migration of trade to traders' homes will still require trading in markets and on the street to supply these businesses. This migration does offer some possibility of stabilization of economic activities and the gradual development of activities that add value, replace imports and create employment. Such activities will need to be nurtured and not suppressed. The possibility of simplified licenses will need to be in practice simple and offer some advantages of security and recognition. More skills and professional training will need to be available of formalization is to offer advantages to participants in the market. Credit will need to be linked to adding value and creating employment and Government's social security programmes, safety nets and employment benefits should also be extended to informal traders.



Source: Jornal de Angola 05 January 2003

# 1 BACKGROUND

## 1.1 THE ORIGINS OF THE INFORMAL TRADING ECONOMY IN LUANDA

The informal trading economy began to develop in Luanda in the late 1970s or early 1980s. Although Lopes states that the informal economy developed in Luanda in the late 1970s (Lopes, 2002), most authors date the beginnings of the informal economic sector in Angola as during the early 1980s. The second wave of returnees from the Congo/Zaire in the early 1980s appears to have played an important role in developing informal economic activities, along with former soldiers of the MPLA who had been based in countries to the north before 1975 (FAS, 2004).

“It was *regressados* who were responsible for the building of the informal economy within the centralised economy that the MPLA wanted to implement. Based on a long history of trading and practiced in the complex economy of Congo/Zaire during their time in exile, and with an efficient retail network there, the *regressados* provoked a certain shock in Luanda that at the time, the late 1970s and early 1980s, had not experienced the apparently disorderly street trading and where there was little experience of creating long-distance trading networks. With the transition to the market economy and the economic crisis, a large part of the population was pushed into the informal economy and the stigma of the *regressados* as illegal traders diminished.

There were various waves of *regressados* who returned to Luanda. The first, in the 1970s, mainly occupied positions in the state administration and went to live in the blocks of flats left by the Portuguese. The second waves were in the 1980s and were larger, and it was these groups who were responsible for creating the large scale parallel market. The *bairros* of *regressados* appeared in the 1980s and were much different from the previous musseques.

*Regressados* was the name given to Angolans of Bakongo origin who had emigrated to Congo/Zaire during the independence war (mainly in 1961) and who returned to Angola after independence. Bakongo, particularly those from Maquela do Zombo in the north of Uije, had a trading culture going back centuries, and this had developed also in exile in Kinshasa. Many had experience of working with trading networks across various countries and linked to Europe. Markes had a special place in Bakongo culture.”

Source: Pereira (2004)

The breakdown of the colonial economy and the failure to effectively create a planned economy in the post-independence period mean that the population of Luanda had to create its own *esquemas* (strategies) to survive. Part of this informal economy was hidden (an informalisation of the formal economy as nominally formal enterprises deviated further from the rules in order to continue in operation) but it began to manifest itself on the streets of Luanda and other towns Morice (1985). Roque Santeiro emerged as an important centre of the informal economy in Luanda in the 1980s as the Government encouraged people who had begun to sell on street corners to move to what was then a piece of waste ground. Even then, though the Government was not in favour of the growth of the informal economy it was unable to prevent it and felt that it could only move it to what was then a marginal location.

However the informal trading economy continued to grow throughout the 1980s and 1990s, creating new market places while continuing to involve trading on the streets. Important factors that led to the continued growth of the informal economy were

- The growth of the population of the cities
- The crisis of the rural economy
- Growing level of imports
- Unrealistic exchange rate and other manifestation of a dysfunctional formal economic system
- Breakdown of the formal supply systems
- Breakdown of national industrial production
- Payment of salaries in kind (for example companies paying workers in kind and the workers then selling on these products).

The same exchange rate of the Kwanza with the US Dollar applied from 1975 until 1989, by which time its value was completely unrealistic and much trade was carried out through barter or using certain goods (such as crates of beer) as a pseudo-currency.

The urban population of Angola grew rapidly in the post-independence period, nowhere more so than in Luanda. Urban growth continued unabated even during the periods of cease-fire and relative security of the years of conflict, as populations of besieged provincial cities and rural areas used these “windows of opportunity” to move themselves and their possessions to the safety of the capital or other coastal towns. The rural economy declined rapidly in the post-independence period, due to conflict but also due to neglect. Petroleum came to dominate the economy: petroleum is found along the coast and in deep-sea waters, so there was little economic incentive to invest in the interior with its devastated infrastructure.

Declining oil prices in the mid-1980s led to macro-economic imbalances, and this in turn led to various attempts at economic reform. Reform was pursued inconsistently, from 1987 onwards, with many reversals of policy. Angola did not implement any programmes formally endorsed by the IMF or World Bank, but did adopt some of the same measures: devaluation, reduction of personnel in the public sector, liberalisation of economic activities and ending of price subsidies.

The currency was changed in 1989 to the New Kwanza (at a rate of 1 to 1,000) and bank accounts partially frozen: this led to a crisis of trust in the banking system. After the failure of the elections in 1992, and the resumption of war, rapid inflation and devaluation began, reaching 84% per month in May 1996. The currency was changed in mid-1995 to the Re-adjusted Kwanza (at a rate of 1 to 1,000) and then again in December 1999 back to the Kwanza (with the Kwanza now worth one-millionth of the Re-adjusted Kwanza). Inflation continued until 2002, though not at the same rate as in the 1990s. Hyper-inflation during most of the 1990s reduced earnings in most formal employment.

The various attempts at economic reform reduced the amount of formal sector employment<sup>2</sup>, but did not make the changes to the economy that would produce employment-creating growth, particularly as there was no effective peace and the economy depended on oil exports and the import of most food and other essentials. As in other countries, the programme of economic liberalisation was based on a sharp reduction in the capacity of the State for socio-economic intervention and did not lead to expected development nor promote the improvement in the conditions of life of the population. Lopes (Lopes, 2002) concludes that in Luanda (and in Maputo, contexts of generalised poverty) there were perverse effects of economic reform programmes such as the rapid growth of the informal economy where the majority of the population obtain their resources to survive. In contexts of rapid urbanisation, the growth of the informal sector limits the creation of the macro-economic environment that economic liberalisation policies aim to create.

So although the informal sector had its beginnings in Luanda in the years immediately after independence when the State was unable to manage the economy through centralised administrative management, the ending of the mechanisms of centralised control in 1989 had little effect because, by then, informality had restructured the economy (for example by being part of the supply of basic services such as water and energy) and this deepened the crisis (Lopes, 2002). Although some of the initial factors that led to the growth of the informal economy (such as payment of formal workers in kind and an unrealistic exchange rate) had disappeared by the turn of the century, the informal economy had become established.

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<sup>2</sup> For example Mabor (tyres), Textang (cloth) and Manauto (repair of Renault vehicles) closed down and created a high level of unemployment in the area of Cazenga (FAS, 2004)

## 1.2 THE INFORMAL TRADING ECONOMY IN LUANDA IN THE 1990s

There are no reliable surveys of the informal economy from the 1980s or early 1990s. It is only in the mid to late 1990s that attempts were made to systematically describe parts of the informal economy. Adata (1998) is the first study of the informal economy in Luanda: the data from this study are quoted in most of the subsequent papers about the Angolan informal economy especially his conclusion that 42% of families in Luanda depended solely on the informal sector for their survival, and that the informal economy was expanding rapidly in the mid-1990s.

Adata's analysis indicated that in the mid-1990s 50% of households wholly dependent on the informal economy had moved into this sector in the previous 5 years (an indicator of the rate of growth of this sector at that time). The supply of employment fell by more than a half in the period 1991 – 1995. People were leaving the formal sector (private and public) for the informal sector because of low salaries (and in some cases closure of firms and services) (Adata, 1998).

Research about the informal economy in Angola in the 1990s concluded that micro -enterprises were a survivalist sector with low skills diversification, high competition, low margins, and limited (if any) linkages to the formal sector (Adata, 1998). This is the group that is categorized as *survivors* in the AEP report (AEP, 2006). They had been forced to operate as micro enterprises, were self-employed and had no permanent staff. Turnover was limited and they had few means to invest in their business. They were self-employed but are not necessarily entrepreneurs.

Marzia Grassi (Grassi, 1998) had a similar analysis when referring to women in the informal sector in Angola. Most of these “entrepreneurs” were not entrepreneurs by choice but by circumstances. They were unemployed and with few alternatives, so developed income-generating activities, which in some cases have grown to small enterprises. They operated in limited markets and found it difficult to compete. They lacked ‘innovative thinking’ and this inhibited their growth potential (AEP, 2006).

The importance of this group for policy was that they were a large number of people and that the fact that the survival of large numbers of people depended on them, rather than their contribution to the economy. The growth of the informal sector had been horizontal and not vertical, with limited innovation, few economies of scale, little specialisation and value-added but continually growing competition. Horizontal growth meant a large increase in the number of one and two person enterprises: 81% of businesses employed 1 or 2 people (Adata, 1998). The micro-enterprises were competing with one another. The lack of capital and the lack of places to store goods mean that there were few economies of scale, and much time is dedicated to travelling to buy relatively small quantities of goods (Pereira, 2004).

A class of entrepreneurs had not developed: those who did emerge were more focused on rapid returns and speculation than on production and value-added, or were very small-scale. This went hand-in-hand with reduced levels of qualifications and skills of the labour-force, reductions in the performance of important infrastructure such as water, transport and energy supply, plus a lack of well-defined property rights. Horizontal growth did not lead to reductions in poverty levels and get beyond mere subsistence. Urbanisation is not leading to the economies of scale that it is expected to lead to (Lopes, 2002).

In the mid-1990s, 42% of families had a head of household who was fully occupied in the informal economy, and another 12% had a head of household employed in the formal economy but also has family income from informal activities. The other 46% of families had income only from formal employment. There was no significant difference in family size and composition between these groups. The index of dependency was similar (and high for all categories) and migration history was also similar. The family in the informal sector was not more likely to be a migrant family: those who had lived for long periods in the city were just as likely to have informal employment (Adata, 1998).

The average age of business in the mid-1990s was 3.8 years, implying a rapid creation of micro-enterprises at the time. The informal sector was the main generator of employment (in the mid-1990s) in Luanda. The older businesses were in textiles, furniture, carpentry, repair and civil construction. Trade, transport, fishing and production of alcoholic drinks were more recent. There had been little recent investment in textiles, furniture, carpentry, repair and civil construction because of the competition from imports and because few people had the capital necessary for investment, loss of skills for these activities (trade requires less initial capital and risk and knowledge). The concentration in trade and services was increasing (Adauta, 1998).

The economically active population of Luanda showed a high level of illiteracy (18%), particularly in the informal sector, and this was (and is) a brake on productivity and technological advancements. The average length of schooling was 5 years in the formal sector and 4 years in the informal sector. One in 5 of those under 14 have never attended school. Only 2.6 per cent of all those in employment can be characterised as technical elites. There were high levels of activity in the 10-19 age group: this is of concern because it depresses productivity in the long-term and depresses average salaries today. The high level of activity of 10 – 19 year olds is a reflection of family survival strategies, putting all hands to work in a search for income (Adauta, 1998).

Only 1.4% of those in employment had more than one occupation, though this was highest among liberal and professional services that have been liberalised. This was surprising because at the time it was thought that people had multiple occupations (Adauta, 1998).

In the mid-1990s there were no significant differences of family characteristics between those in the formal economy and those in the informal economy. They were similar in terms of size of family, number of dependents and time of residence in Luanda. It was not a certain type of family that went into the informal economy: it was not just new arrivals from the provinces, for example (Adauta, 1998).

Research from this period showed that there were various types of market in Luanda. Markets such as Imbondeiro, in Palanca, served mainly the needs of the bairro. They sold mainly foodstuffs (flour, vegetables, oil, dry fish, fresh fish, meat, peanuts, pepper and tinned milk), charcoal, soap and cleaning products. There were a few clothes for sale plus a few CDs and videos. There is more trade in the markets in the afternoons and just before dark, when women buy ingredients for that evening's meal. There were also smaller groups of traders within the bairro who sell similar products but in very small quantities (a small bag of vegetable oil, a half tin of tomato paste, three segments of garlic) that are suitable for making one meal (Pereira, 2004). People who sell at the door of their house also sell goods in very small quantities, as well as beer and soft-drinks and home-made products such as cakes and ices (that depend on the working of a freezer or refrigerator) (Pereira, 2004).

Markets such as Roque Santeiro and Kwanzas sold goods in larger quantities and acted as a wholesale market for markets such as Imbondeiro. They also sold goods such as electrical equipment and other more valuable goods (Pereira, 2004). Kwanzas Market served as a departure and arrival point for transport from northern Angola and the RDC, and there were a large number of transport and associated services clustered around it (FAS, 2004). The market of Rocha Pinto also served as a departure and arrival point for transport from the south (Lopes, 2002). However Roque Santeiro was the largest market in the city (and possibly the largest open-air market in Africa) serving as the main distribution point for other markets in the city.

Buying and selling took place in markets, in the street (*zunga*) and at the door of the home. Those who were selling in the street had the lowest level of education and of capital, and so generated the least income. Those involved were usually young men or women, and their situation was the most precarious (Adauta, 1998) (FAS, 2004). The informal economy also generated a large number of other "professions" such as *roboteiros*, *carregadores*,

*controladores, cobradores, and lotadores* who mainly work in large markets or transport departure points carrying goods, allocating space and collecting fees for specialized services (FAS, 2004) (Lopes, 2002).

### **1.3 POST-CONFLICT CHANGES IN CONTEXT**

A peace agreement was signed in April 2002 between the Government of Angola and UNITA, which led to the ending of security problems in Angola for the first time since 1975<sup>3</sup>. The final achievement of peace in 2002 meant a considerable change in context. Whilst previous periods of peace in Angola (such as between 1993 and 1998) were in fact periods of “not peace but not war” in which considerable tensions remained and there was little free movement of people and goods around the country, the post-2002 period has seen the ending of security problems in Angola for the first time since 1975. This has created the potential for stimulation of local production, increasing local employment and reducing the dependence on imports: this would be expected to increase the amount of value-added employment (and perhaps increase the size of the formal sector) and change the nature of trading.

The population of Luanda has continued to grow since 2002 as has the physical area of the city. The population of Luanda would appear to be growing at a rate of at least 7% per year and the physical area of the city of Luanda has expanded significantly between the mid-1990s and today. Since the war ended in April 2002, migration patterns have become more complex. While there has been some movement towards rural areas, many families appear reluctant to give up their stakes in the urban informal market economy and school-age youth and children their places in the educational system. The principal motor of peri-urban growth however is no longer rural-urban migration but natural increases in population, and the out-migration from Luanda’s urban centre to more peripheral peri-urban areas, driven by rising land values and the poverty of large sectors of the population (Development Workshop, November 2004).

Since 2002 the currency has been stable at about 75 to 80 Kwanzas to the Dollar, as the Government has managed to gain effective control of the economy. Furthermore there has been a rapid growth of the economy driven by high oil prices and rapidly growing oil production, until the decline in oil prices in late 2008.

Just after peace was achieved, the Government announced a programme to restructure the trading system, which aimed to gradual transform informal commerce into formal commerce. Specific elements of were the closure, rebuilding and opening of markets, changing the geographical location of markets and the number of people who are able to trade in markets and preventing trading in the streets (especially near to the centre of the city where it was thought that street trading had a negative impact on the aesthetics of the city).

### **1.4 WHAT IS FORMAL AND INFORMAL**

The usual definition of an informal economic activity is one that is unlicensed and that is not regulated in any way. As registration of a business requires that there is a place of business in a permanent building, the definition of informal economic activities also by implication includes those that do not operate from registered permanent places of business. This is the definition followed by the Government of Angola, and their plans to formalise the informal economy in practice mean the registration of economic actors, as well as the gradual removal of economic activities that do not take place in permanent buildings. According to an official of the Ministry of Commerce interviewed for this study, “the informal sector is all economic activities that are carried out on the border of the law, that are not included in government records, that do not

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<sup>3</sup> In the Province of Cabinda effective peace was achieved later as separate peace agreements were required with local groups.

pay taxes and that are carried out often in conditions that are unsuitable for commercial activities. The main example of this is Roque Santeiro. Formal economic activities are those that are carried out in locations that have a structure and suitable conditions, pay taxes and are part of the government records.”

There are however problems with this definition in the Angolan context. Licensing and regulation are formalistic and inefficient, so one can find enterprises that are formally registered and licensed but are not in practice regulated and do not necessarily follow the appropriate laws and regulations. This dates back to the origins of the informal economy in the 1980s, where formal (state-owned) enterprises began to deviate progressively from the regulations in order to continue to operate. Formalising of micro-businesses can involve no more than ensuring that they pay a fee to occupy a bench in a market, though the other characteristics of the trader are the same as a completely informal trader.

Another set of definitions in studies of this kind is based on the size and the business orientation of the business unit. Micro-businesses are individuals or family-based units, though the family unit may be transformed (for example taking on new members) so as to better guarantee survival. Traditional norms of the family are re-interpreted and used flexibly in a new context. Different members of the family go to work in different areas or occupations so as to spread risks or search new opportunities. The family may also become dispersed geographically to seek opportunities in different regions, such as in diamond-mining or trading with neighbouring countries (Costa and Rodrigues, 2002). Because labour is poor people’s greatest asset, poor people respond to declining income by mobilising additional labour, such as women’s labour and even children’s labour. This means entering competitive dead-end occupations with low pay and long hours. (Moser and Holland, 2007).

More entrepreneurial than micro-enterprises are small businesses. They have usually been in the business for some time, have made small investments and employ a small number of people paid from a small yet relatively stable turnover. They can be both formal and informal, and owners are not among the poorest. The next category is medium and large enterprises. These are established companies, with a higher investment capital that are managed by professionals and employing a considerable number of people. Owners move among the higher circles of society (AEP, 2006). The AEP report suggests that entrepreneurial individuals are more likely to be found among these two groups. However Grassi in her study of women entrepreneurs concludes that many in these groups are speculative entrepreneurs and that they are not innovative or creative (Grassi, 1998). They manage to make small profits from import - export trade and depend on their connections rather than developing new markets and products.

This study focuses on individual and family-based micro-businesses in the trading sector. Some of these businesses may be formal, in the sense that they have some form of licence or document, but are survivalist micro-businesses. The study is mainly looking at how these businesses are evolving in the new post-2002 context, but this involves looking at the wider trade circuits into and around Luanda (which involve both formal and informal actors, operating at different scales). The study is also interested in the issue of formality of businesses because of Government policies to promote formalisation of the informal sector, to understand what this means and what effect it might have on employment and people’s livelihoods.

## **2 OBJECTIVES**

The main objective of this research has been to understand how the informal trading economy has evolved in the new context of Angola post-2002. It has attempted to understand whether the more favourable context for economic activity in Angola (free movement of people and goods, stable and realistic exchange rate, economic growth on the back of petroleum

production, attempts to create a favourable business environment) have had any effect on the informal economy, and in particular on small-scale informal retail trade which makes up the bulk of the informal economy in Luanda. Has this aspect of the informal economy shrunk or grown or remained as important as before? Have any of the characteristics changed, in terms of who is involved in the sector, the locations of the informal and the type of products bought and sold. Three particular locations of the informal retail economy have been examined: trading in markets, trading in the street and trading at home.

A network of marketplaces has long played a central role in the informal economic sector. The largest of these (Roque Santeiro) at one time was estimated to host over 20,000 traders and 100,000 consumers on a daily basis, and to play a major role as a wholesaler supplier of other major markets throughout peri-urban Luanda (including the large ones such as Kikolo, Sao Paulo, Kwanzas, Estalagem, as well as dozens of smaller ones) and to other provinces, as well as in direct retail to hundreds of thousands of Luanda's peri-urban residents. For most of Luanda's five million inhabitants this informal urban marketplace system simultaneously provides relatively affordable access to basic subsistence and other consumer items as well as the only source of employment and entrepreneurial opportunity for hundreds of thousands of unskilled labourers.

In the light of government plans to relocate Roque Santeiro over 20 kilometres outside of the city and to close down a number of smaller markets, the research aims to understand how the structure and organization of the urban marketplace network and to assess the potential impact of forced closures for peri-urban consumers, vendors and service providers. The results of this study will assist DW and other microfinance institutions in developing strategies to mitigate the negative impact of informal market closures. The results of the study will feed the policy debate between civil society and Government on "economic rights", poverty reduction (PRSP) and pro-poor social inclusion.

About a fifth of small and medium enterprises in Luanda carry out their business in the street. The crowded streets of Luanda provide many opportunities for sales of goods, such as vegetables or fish (mainly carried out by women), though there are also many examples of sales of higher value goods (even consumer durables) by the side of the road (mainly carried out by young men). The aim is to document the extent and operations of street vending in the economy of Luanda, and then examine whether there have been any changes, for example as a result of police operations to reduce the amount of street vending in Luanda.

Home-based enterprises appear to be a significant part of the informal economy, particularly for women. The aim has been to examine the extent, structure, operations and livelihood significance of Home Based Enterprises.

### **3 METHODOLOGY**

The study used a variety of methods. It began with a literature review which looked at the origins of the informal economy in Luanda and at the factors that might affect the informal marketing economy in the new context. A large-scale survey from 2005 - 2007 was used to understand better the informal trading economy and some parts of this survey were repeated in 2008 as a comparison. Case studies were used to examine in depth the systems of marketing of a small number of basic products, and to look at the trends at key points in the informal trading economy, such as Roque Santeiro market. Counts were made of the number of people selling in a number of locations (markets and in the street) in 2005 and this was repeated in 2008. The number of economic activities taking place in houses was also counted in both years. This was used to measure trends in the size and location of informal trading.

#### 4 GOVERNMENT POLICY AND RESTRUCTURING OF THE COMMERCIAL SYSTEM

A few months after the signing of the peace agreement in 2002, there was an interview with the National Director of Internal Trade in the “*Jornal de Angola*” (the state-owned daily newspaper<sup>4</sup>). This has the clearest presentation available of the Government’s strategy towards trade that had been developed for the post-war period. Although the strategy towards trade is often referred to in other places, this newspaper interview is the only place where various aspects of the brought together and developed.

The interview said that the overall strategy is to move people who are now in the informal economy into the formal economy and discouraging informal trade. He said that the aim should be to increase the tax base of the commercial and services sector and improve the hygiene conditions while at the same time creating conditions for diversified trade in goods and services as close as possible to the residence or workplace of the consumer. Trade should provide greater “value added” in terms of packaging, identifying markets, transport for the consumer and storage. The strategy for urban areas distinguishes between the urban core and peri-urban areas. In the urban core it is expected that all trade should be completely formal, so that all trading establishments should meet existing requirements for licences. It would require a full *alvará comercial* and this would require a conventional building that has been inspected and passed by various authorities. People who have *cantinas* in the urban area should transform them into proper shops with an *alvará* and an inspection.

In peri-urban areas (referred to as suburban areas in the interview) the aim is diversified trade as close as possible to people’s homes and workplaces. The strategy is to promote “traditional” small-scale trade, such as *cantinas*<sup>5</sup>, shops, small supermarkets, municipal markets and ambulant traders. All of these should be licensed. However for peri-urban areas the Ministry of Trade has created a practical and less bureaucratic system to licence or authorize certain types of trading activities, namely a *licença de comércio precário*. Some of the trading activity in peri-urban areas (such as *cantinas*) would be considered as “precarious trading” (*comércio precário*) and would require only this reduced amount of documentation. *Comércio precário* is the type of trade that can be carried out in peri-urban and rural zones in provisional or non-conventional infrastructure that can be easily removed. This type of activity is retail carried out by individuals with up to 4 workers.

Gomes Cardoso saw no pernicious effects of encouraging canteens in rural and suburban areas. It would create more jobs and bring goods and services closer to the consumer. It would improve hygiene conditions in comparison to informal trade in the street and in front of shops and in parallel markets. However Gomes Cardoso was clear that this kind of trade cannot be carried out in urban centres as, in his opinion, this would create unfair competition with fully formal, specialised urban centre trade and take the life out of an urban commercial centre. He also said that this kind of *comércio precário* should not be carried out by illegal immigrants, it must follow the stipulated hours of operation and it must pay tax. *Alvarás* and *licenças de comércio precário* cannot be transmitted to other people and the use of buildings cannot be changed. There should be the use of proper weights and measures.

In the interview, Gomes Cardoso said that in 1974 there were 30,207 trading establishments in Angola for a population of 5.6 million. In 2000 there were 27,870 trading establishments for a population of 13.8 million. In Luanda in 1974, there were 5,798 commercial establishments and a population of 561,145; in 2000 Luanda had 10,286 commercial establishments and a

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<sup>4</sup> Interview with Gomes Cardoso, Director Nacional de Comercio Interno, *Jornal de Angola*, 26 September 2002

<sup>5</sup> *Cantinas* are defined as commercial infrastructure with provisional construction characteristics.

population of 2,276,000<sup>6</sup>. It is therefore believed that Angola lacks 40,000 commercial establishments. The underlying problem is that there is a lack of financial and technical capacity to open this number of shops. In Luanda the number of commercial establishments has increased but not in line with population growth. In Angola as a whole the number of commercial establishments has declined.

Gomes Cardoso announced that there would be a programme called PRORICOM, which would be a programme for the rehabilitation and modernisation of the infrastructures for commercial activity. This implies the creation of hypermarkets, markets to supply the supply-chain and safeguarding “commercial urbanism”<sup>7</sup>. It was planned that there should be a large market on each of the main entrances to Luanda on the edge of the city. There would be a programme of building and upgrading markets so that the 11 existing urban municipal markets in Luanda (which are both formal and informal) would be increased to 50 formal markets. The main policies are the construction of infrastructures where food products can be traded in better conditions and to do away with open-air markets. Traders should be able to acquire products for resale in good conditions and not need to buy products in markets. Short-term actions are mainly the new network of supermarkets PRESILDE (“O nosso super”), an increase in the number of markets with good conditions and better warehouses.

- Other actions mentioned include
- better access to professional training of young people
  - more on-the-job training
  - more micro-finance services.

A new Law of Economic Activities was passed to put into practice these policies and to regulate economic activities. One part of this policy is organising ambulant traders, and the Ministry has worked with AJAVA and the municipal administrations in order to regularise ambulant trading. Government policies are likely to have been an important driver of change to the informal trading economy of Luanda since 2002. This study has attempted to track the actual implementation of this policy since 2002, and to track its impact on the informal trading sector.

**5 PEOPLE IN THE INFORMAL ECONOMY**

This section presents a baseline survey of information from 2005 about participants in the informal trading economy in Luanda. It starts by presenting some general characteristics of informal traders, and then goes on to look at the location of activities and the difficulties experienced in carrying out small-scale economic activities.

The age and sex distribution of people participating in the informal economy in Luanda in 2005 is as follows. The numbers of males and females participating in the informal economy are similar in the 19-30 age group. Below 18 years old the number of males is higher, above 30 years old, the number of females is higher.

Percentage of participants in the informal economy	Male	Female	Total
18 years and less	6	3	8
19-30 years	25	26	51
31-40 years	6	18	24
41-50 years	2	10	11
51-60 years	1	4	5
Over 60 years	0	0	1
	40	60	N = 600

<sup>6</sup> Probably in practice the population of Luanda was greater than this in 2000.  
<sup>7</sup> This is presumed to mean high quality trading infrastructure in the centre of urban areas.

The 19-30 age group probably accounts for 30% of the adult population and the 31- 40 age groups probably accounts for about 18% of the adult population, so participation in the informal economy is higher below the age of 40<sup>8</sup>. Participation in the informal economy is highest in the 19-30 age group, and just over half of participants in the informal economy are in this age group. This may be because this age group moved into the working age population at a time when there were not formal employment opportunities; in this case they are unlikely to obtain formal jobs as they get older. Alternatively it may be because in general there are few formal jobs in the Angolan economy for people in this age group; in this case this group may find formal jobs as they reach 30 years old.

Percentage of participants in the informal economy who are single

	Masculine	Feminine	Total
18years and less	96	76	89
19-30years	64	41	52
31-40years	29	26	27
Over 40 years	20	24	22
All age groups	59	35	44

Quite a high proportion of participants in the informal economy say that they are single (the other main categories are “married” and “common-law marriage”). More men than women under 30 years old in the informal economy are single. Almost all young men, and three-quarters of young women 18 years old or younger, are single.

Electricity at home is more common than piped water. Overall 63% of respondents have electricity at home, but only 18% have piped water at home. Almost half of respondents have electricity but not piped water. Only a very small number of respondents have piped water but not electricity. Those who have water tend to have electricity but not vice versa.

Percentage of respondents who have water and/or electricity at home	%
Have both piped water and electricity at home	16
Have piped water but not electricity at home	2
Have electricity but not piped water at home	48
Have neither piped water nor electricity at home	35

Almost all participants in the informal economy consider that the business is theirs. More males than females suggest that the business belongs to someone else. It is among the younger age groups that there are respondents who say that the business is not theirs, though it is still a minority of respondents in these age groups: about a quarter of those under 18 say it is not their business. Those who trade in drink and in school materials are most likely to not own their own business.

Is this business yours?	%
Male	86
Female	95

Ninety per cent of those in the informal sector of the economy say that they are involved in trade, while only small numbers are involved in services and production. It is only in the sector of furniture that there is a significant percentage that is classified as production (39%). The

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<sup>8</sup> Figures for the overall population have been calculated from the age pyramid of the US Census international data base. It should be noted that there has been no full census in Angola since 1971, and the population distribution of Luanda may be different from that of the country as a whole.

electrical goods sector includes 20% of respondents who say that their activity is services, which is probably the repair and maintenance of electrical goods. There are also services in the “other goods” sector, which appears to include hairdressing and similar services.

What kind of business do you operate?	%
Trade	90
Production	3
Services	7

Sixty-nine percent of those trading in drink have electricity at the place of business than in other goods, and 24% of those trading in drink have piped water at place of business. These percentages are higher than for any other category of goods. Those who live in a house with electricity are more likely to be selling drinks. Those who live in a house without electricity are more likely to be selling “other goods”. This suggests that water and electricity are important for the sale of cold drinks.

Only 3% of men in the informal economy never went to school, but 10% of women never went to school, mainly women from the older age groups. It is interesting to note that 20% of participants in the informal economy have medium or upper level education and young women in the informal economy would appear to have a remarkably high level of education.

Number of years of schooling	18 years and less	19-30 years	31-40 years	41-50 years	51-60 years	Over 60 years	Total
<b>Male</b>							
Never went to school	3	3	0	0	0	50	3
Level 1	24	13	8	10	29	50	14
Level 2	36	29	30	30	14	0	29
Level 3	24	35	35	40	43	0	33
Medium level	12	19	19	20	14	0	18
Upper level	0	2	8	0	0	0	3
<b>Female</b>							
Never went to school	0	3	5	29	33	100	10
Level 1	19	21	16	26	50	0	22
Level 2	19	24	37	29	13	0	27
Level 3	25	27	25	12	0	0	22
Medium level	38	25	17	3	4	0	18
Upper level	0	1	1	0	0	0	1

About a quarter of those active in the informal economy are selling food products and another quarter are selling drink. Women are more likely to be involved in selling these products while men are more likely to be involved in selling the wide category of goods “other”. This includes kitchen goods and tableware, household goods (hosepipes, locks) and articles such as nail-clippers, sunglasses and umbrellas. Men are more likely to be involved in making and selling furniture and slightly more likely to be involved in selling clothes. As they get older, women are more likely to be involved in selling food and less likely to be involved in selling clothes and drink.

What products do you make or sell?	TOTAL			
Per cent	Male 30 or	Male 31 or	Female 30 or	Female 31 or

	less	more	less	more	
Food products	7	13	31	43	26
Clothes	11	11	8	5	8
Shoes	2	4	1	2	2
Drink	14	11	36	30	25
Furniture	5	13	1	0	3
Electrical goods	2	2	0	0	1
School material	3	2	1	0	1
Vehicle parts	1	0	0	0	1
Others	55	46	24	20	34
Total	100	100	100	100	100

### Three locations of the informal economy: characteristics and trends

Over 40% of informal economic activities take place inside the house or in front of the house. These locations are more popular among women than men. Almost a quarter of activities take place inside markets and another quarter in the street. Young men are much more likely to have their activities moving around in the street than other groups. Older people are more likely to be based in a market than younger people.

Location of informal activity	Male 30 or less	Male 31 or more	Female 30 or less	Female 31 or more	TOTAL
Permanent business building	4	9	2	1	3
Inside the house	7	17	27	26	19
In front of the house	11	9	36	32	25
Fixed place in the street	15	12	9	8	11
Moving around in the street	32	5	9	4	14
Inside a market	24	39	15	26	24
Outside a market	3	2	0	1	1
In front of a school or church	1	0	2	1	1
Other location	2	6	0	0	1

### Type of product and location

Per cent	Food products	Clothes	Shoes	Drink	Other goods	TOTAL
Permanent business building	3	0	0	4	3	3
Inside the house	11	4	0	45	15	20
In front of the house	31	21	0	32	20	25
Fixed place in the street	9	23	9	6	13	11
Moving around in the street	12	13	36	3	25	14
Inside a market	31	40	45	7	19	24
Outside a market	2	0	9	1	1	1
In front of a school or church	3	0	0	0	1	1
Other location	0	0	0	1	3	1
TOTAL	100	100	100	100	100	100

Inside a market is an important location for the trading of food, clothes and shoes but less so for drink and other goods. Food products are usually traded in front of the house and inside a market. Drink is usually traded inside the house, because it is kept in a refrigerator inside the house, and the availability of electricity is a major factor in whether this can take place. The main places for trading clothing are in the marketplace, at a fixed point in the street and in front of the home. The main places for trading footwear are in the marketplace and walking in the street. "Others" are a diverse category and are traded in a number of different places.

**Constraints facing micro-enterprises and small businesses**

The main constraint mentioned by participants in the informal trading economy is a lack of customers and low turnover. This affects traders in all kinds of products. A large number of traders continues to be chasing a limited number of customers with reduced purchasing power.

	Have electricity from the public network	Don't have electricity from the public network
Percentage mentioning electricity and water as a problem for their business	8%	2%

More respondents that have electricity from the public network say that electricity and water is a problem for their business than those who don't have electricity from the public network. The implication is that is the problem is the quality of the electricity supply that is the problem: those who do not have electricity have adapted to this. The same is true, to a lesser extent, with water.

Previous research shows that the business environment continues to be difficult for those who attempt to create larger-scale, formal businesses. Enforcement of contracts is extremely difficult and costly, and can take around 1000 days from filing a complaint to restitution. It is almost impossible to enforce loan repayment and generally not cost-efficient for small loans, as the cost of the legal process will mostly far exceed the actual loan (BNA, 2006). It is difficult to use houses or land as security for loans as most people do not have papers showing their ownership, even in central city areas, due to the inefficient working of the land registry (Vletter, 2002). Enterprises face various constraints, among which lack of capital, and lack of access to capital, outdated technologies, obsolete infrastructures and an unfavourable macro environment. In general, there seems to be a rather limited market and many entrepreneurs find it difficult to compete. Several entrepreneurs indicated that they had difficulty analysing their operations in terms of financial results and expressed a need to understand their business better (AEP, 2006).

The market for Business Development Services (BDS) is still underdeveloped. Providers have to make the clients aware of the advantages of BDS. Another major constraint that the providers face is that most of their clients are operating with few reserves: BDS providers must focus on the direct benefits of their services for each client, convincing clients that their investment pays off (AEP, 2006).

**Estimates of the size of the informal economy of Luanda**

In the mid-1990s in Luanda 42% of families were completely dependent on the informal economy and 12% of families were partially dependent on the informal economy (Adauta, 1998). Fifty-six per cent of the population over 10 were working in the informal sector. 54% of the aggregate of family incomes came from the informal sector (Adauta, 1998).

In 1999, informal trading activities were the principal occupation of 58% to 69 % of working members of families in the bairros in Luanda studied by Lopes (Rocha Pinto, Cazenga 11 de Novembro, Boa Esperança) (Lopes, 2002).

In 2005, 84% of families in Luanda were completely or partly dependent on small or medium size enterprises of the informal economy (DW, 2006). This implies a continuous growth of the

informal economy between 1995 and 2005. This is quite possible, given that the informal economy was growing rapidly in the mid-1990s (Adauta, 1998). It is estimated that 700,000 people work in micro-enterprises in Luanda and monthly sales are about US\$ 325 Million (DW, 2006).

This is not too different from the level of informal employment in other African countries. Informal employment accounts for 78% of non-agricultural employment in sub-Saharan Africa (excluding South Africa). In all Africa, informal self-employment is much more important than informal wage-labour (ILO, 2002).

### **Gender and the informal economy**

Generally in Africa, women are more numerous than men in the informal economy. In sub-Saharan Africa, 84% of women non-agricultural workers are in informal employment while 63% of male non-agricultural workers are in informal employment (ILO, 2002). This is true in Angola, and in Luanda. The formal economy is predominantly made up of men (67%) while the informal economy is predominantly made up of women (63%). Eleven per cent of families dependent on the informal economy are headed by single women, twice the percentage in the formal economy (Adauta, 1998). However there are now more men in the informal economy in Luanda than in many African cities, probably because in Angola there is even less formal employment than in other African cities.

The activities of women in the informal economy in most countries of the world are often in specific sub-sectors such as food-preparation and street-trading and are usually small enterprises. Men who are informal sector traders usually possess larger operations and more likely to trade in non-food goods. Men are usually found in a range of sub-sectors of trade while women are usually clustered in trade in food products and are rarely found in the transport sector. Women are generally concentrated in sub-sectors that require less capital and training. Women begin to develop their trading by selling at their door and gradually building up capital. Alternatively they may be lent money by other family members (Pereira, 2004). However a minority of women who do have access to capital (for example from their families) do manage to set up large trading businesses. (Ducados nd)

This appears to be also the case in Luanda where women dominate in informal retail trade, except in more valuable domestic goods, clothing and medicines (Lopes, 2002)

Of women heads of household (in the informal and the formal economies), 66% are in commerce. Of men heads of household (in the informal and the formal economies), 11% are in transport, 9% in construction, 19% are in other industries and 8% in the civil service. Men heads of household have higher levels of education and more access to capital, so more access to activities that generate more income. Average monthly incomes for households run by women are 20% less than those run by men. But households headed by women in the informal sector have higher income than those headed by men in the formal sector and by women in the formal sector (as at that time, even highly qualified people in the formal sector were very low paid) (Adauta, 1998).

## 6 TRADING IN MARKETS

The informal trading sector in Luanda is usually associated with trading in markets, because this is where the size of the informal trading sector is most obvious. However, as noted above, only about a quarter of participants in the informal trading sector work in and around markets while almost half of participants in the informal trading sector work in and around the home.

There are two main types of market in Luanda. The first type is municipal markets (*mercados municipais*) or permanent markets which have clearly defined and fixed boundaries and infrastructures. By implication, these are spaces that are controlled by the State or local government. This control and the existence of benches for displaying goods should provide hygienic conditions. The Government allows all types of goods to be sold in this type of market, except medicines and other pharmaceutical goods, insecticides and similar products, construction materials, vehicles and trailers, cycles and motorcycles and their accessories. The second type is defined by the government as *mercados delevantes* which are markets that do not have fixed installations<sup>9</sup>. Popularly these are known as informal markets, and their main feature is that they have developed on open spaces with little infrastructure (such as Roque Santeiro). Goods are laid out on the grounds or the traders provide their own benches and tables. However they are not completely informal: the Government was to some extent involved in the creation of markets such as Roque Santeiro, when it felt that it could not avoid the growth of informal trading and wished to divert it to particular locations. Some informal markets also have administrations appointed by local government, who are supposed to collect fees and maintain order in these markets. The division between formal and informal is, once again, unclear.

Informal sector traders interviewed in Roque Santeiro said that they preferred informal markets to formal ones with infrastructure. Informal markets are more flexible, as the space can be adapted to needs and to the product being sold. They see no advantage in the provision of fixed infrastructure. The use of different sizes of table and bench that can be moved around as required allows more flexible use of the space in informal markets. The fees also tend to be higher in formal markets and there is less opportunity to avoid paying the fees. The limited number of entrances and the fixed infrastructure is also seen as a factor that limits the number of people entering and circulating in the market, thus reducing the number of clients.

There are notable differences between markets in the type of products bought and sold, and there is a certain amount of specialisation. Roque Santeiro is important for food products while clothes and furniture are important at Asa Branca and Kikolo. Drink is bought and sold at Roque Santeiro but is hardly mentioned at Asa Branca and Kikolo. Each market has its own place in the distribution channels in Luanda, as will be discussed later.

As a result there are differences between markets in the gender distribution of sellers. At Roque Santeiro there are a large numbers of women while as Kikolo and Asa Branca there are large numbers of men who are involved in trading of furniture, clothes and other miscellaneous goods.

Asa	Roque	
Branca	Kikolo	Santeiro

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<sup>9</sup> The legislation referring to *mercados delevantes* dates from the colonial era and officials responsible for applying the legislation did not know the derivation of the term. It would appear that it means a market for itinerant traders, and the word *delevante* derives from the idea in Portugal in previous centuries that itinerant traders came from the East, or were Jewish.

Food products	14	9	46
Clothes	29	21	10
Shoes	0	0	2
Drink	0	0	15
Furniture	21	33	0
Electrical goods	0	3	2
School material	0	0	2
Vehicle parts	7	3	0
Other goods	29	30	22
	100	100	100

	Asa		Roque
	Branca	Kikolo	Santeiro
Male	86	79	29
Female	14	21	71
	100	100	100

The Government's policy of restructuring of the trading system has the stated intention of eliminating *mercados delevantes*. The implication of the policy is that alternatives spaces will be provided in municipal markets, and it has been stated when markets are closed that alternative spaces will be provided for those displaced. The closure of *mercados delevantes* began in 2004, alongside a programme of rebuilding exiting municipal markets. (The following information is from the Development Workshop press archive.)

January 2004	Announcement of the transfer of Roque Santeiro market to Panguila
January 2004	Announcement of the closure of Estagalgem market (Viana)
February 2004	Announcement of the closure of Rocha Parque market
February 2004	Destruction of Benfica market
February 2004	Closure of Estalagem market and of Rocha Parque market
March 2004	Protests and disturbances following closure of Estalagem market
May 2004	Closure of Trapalhães market (Ilha de Luanda)
May 2004	Closure of Kinaxixi market (a formal market in the centre of Luanda) to allow the building of a shopping centre
February 2005	Press reports that former market traders are now concentrating around Congolenses and São Paulo markets and along the railway line at Viana
May 2005	Announcement of plan to prevent use of warehouses (former factories) for wholesale trade
May 2005	Announcement of plan to reduce street trading
August 2005	Announcement of plan to rebuild São Paulo market with Chinese funding and by Chinese construction company
January 2006	Transfer of traders from Congolenses and São Paulo markets temporarily to permit rebuilding of these markets

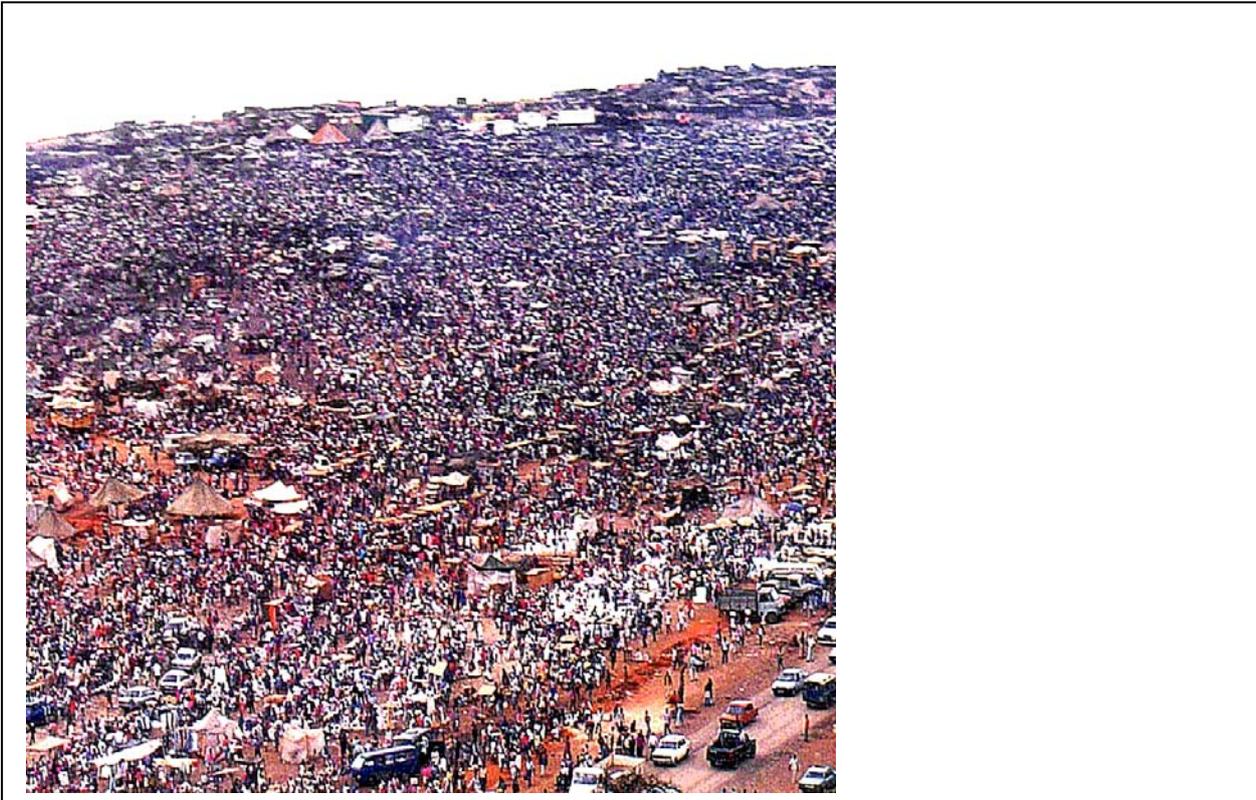
March 2007	Transfer of Roque Santeiro to Panguila put off allegedly due to delays in work at Panguila
March 2007	Announcement of new plan to reduce street trading
July 2007	Closure of Market of Pedrinhas in Terra Nova leads to increase in trading in the surrounding streets.
November 2007	Announcement of new plan to reduce street trading

The programme of rebuilding of markets has suffered delays so that, combined with the closure of *mercados delevantes*, the number of places in markets has declined a least temporarily. The number of places in formal municipal markets has in most cases declined with their rebuilding, according to the traders working in them who complain about the lack of spaces in markets (in the press and in interviews as part of this study). However official figures of the capacity of markets, and of the actual number of people trading in markets, have been found to be unreliable. Development Workshop, as part of this study, therefore counted in 2005 the number of people actually working in markets in 14 defined areas in the city of Luanda, and this was repeated in 2008. Overall it was found that there was a decrease of 20% in the number of people working in the markets in these areas in this three year period. However there was a significant variation between areas. Where markets have been completely removed (Benfica, Hoji ya Heda, Boa Vista, Golfe) the decline in number of traders in markets has been between 50% and 100%. In other areas (such as Cacucaco) the number of traders has increased by 100%.

Other markets which have been closed for rebuilding with money from Chinese credits (usually using Chinese construction companies) and then re-opened have fewer spaces than the markets that they replace. Former traders continue to trade outside these markets or in the street nearby when there is a high demand in these areas. The market of Asa Branca (now officially known as Cazenga market) now consists of two markets, the official, rebuilt market and an unofficial (but organised) market alongside. In fact there can be an advantage to trading outside a market: customers often prefer to buy without leaving their car or while waiting for a taxi, and without passing through the crowds in a market. Sellers tend to be looking for customers, rather than customers looking for sellers, as there is a relative over-supply of sellers: people continue to seek work in informal trading, thus maintaining competition between sellers which manifests itself in sellers seeking out purchasers.

This analysis did not include Roque Santeiro market, which is so large as to make it impractical to count the number of traders. The official figures for the number of sellers in Roque Santeiro varies between 5,000 and 20,000, which means that official figures could not be used to try to assess any changes in numbers of traders. The possibility was also considered of using aerial photographs to count the number of stalls in the market and use this as an estimate of numbers; however when this was tested it was found that no reliable estimate could be made of the number of people per stall, as the number of people working per structure varied widely between days and in different parts of the market. A separate study was therefore carried out in Roque Santeiro market, using both qualitative and quantitative techniques, asking about the response of traders (and others working in the market) to the potential transfer of Roque Santeiro. All those working at Roque Santeiro (traders, other workers, the market administration and aid organisations) said that the number of people trading at Roque Santeiro had gradually declined since the announcement was made of the closure of Roque Santeiro. Those working at the market felt that the closure of Roque Santeiro eventually was inevitable, though there had been no move to close the market and move traders to Panguila in the five years since the first announcement was made. They had therefore moved to other locations when the opportunity arose. There was unanimity that the location of Panguila was unsuitable as it was 25 kms

distant from the centre of the city, there was only a small local population and the role of a market at Panguila is unclear.



Roque Santeiro market (for the air) in the 1990s when it was said to be the largest open-air market in Africa. At that time it served as a distribution point for other markets as well as selling directly to the public. The growth of the area of the city and growing traffic congestion near Roque Santeiro has led to the appearance of other markets, in more peripheral areas, that serve as distribution points for other markets.

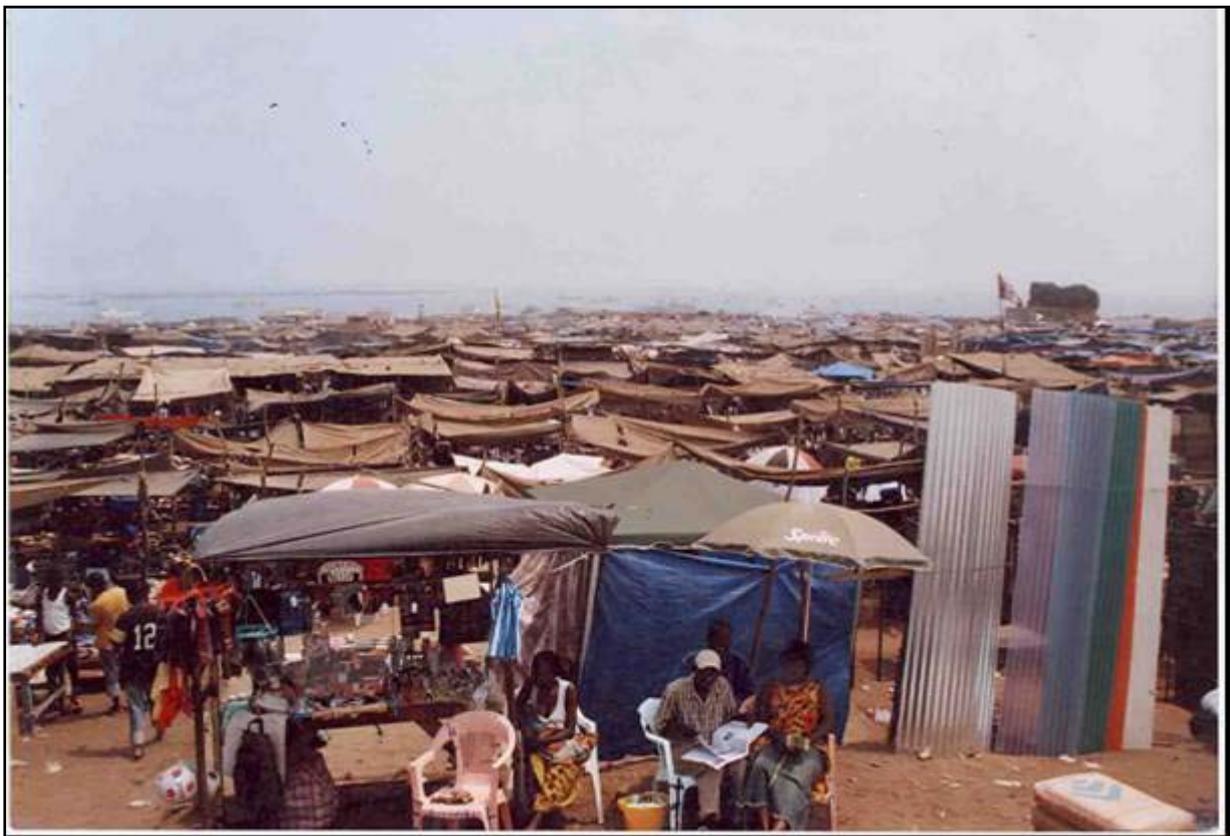
Traders who were interviewed perceived a trend of the decreasing importance of Roque Santeiro in the informal trading system of Luanda. In the late 1980s and 1990s Roque Santeiro was the hub of the informal economy: goods from other areas of Angola and goods imported through the port (a short distance away) were traded in bulk at Roque Santeiro and then traded in smaller quantities in other areas of Roque Santeiro or in other locations. Roque Santeiro contained both wholesale and retail functions. However with the continued growth of the population of Luanda (at about 7% per year) and with the growth of traffic and the spreading outwards of the population from the centre of Luanda particularly to the east and south, there has been a significant increase in traffic and in traffic congestion. Roque Santeiro acquired a reputation as a congested area. New markets, further out from the centre of the city, have taken on the function of wholesale markets for products coming from the rest of the country. Katinton Market is a new, open space south of the airport where lorries from Kwanza Sul and Benguela (and other parts of the south of Angola) unload agricultural products, which is then purchased in sack loads for resale in other markets. Kikolo Market, further north, has similarly grown at the expense of Roque Santeiro. Goods now rarely come directly from the port to Roque Santeiro as security at the port has improved, and importers and wholesalers have taken over abandoned factories (in the comunas of Cazenga and Hoji-ya Henda) which they use as warehouses for resale of imported goods.

Thus overall the number of people trading in markets would appear to be declining, with a relocation to markets further from the city centre as the city grows outwards and the number of places in some markets is reduced. There is also a relocation of retail activities to streets and houses, and of some wholesale functions to warehouses. On the other hand

informal markets continue to play an important role in wholesaling in trading circuits: Roque Santeiro continues to play this role with different sections of the markets selling the same goods in different quantities. Despite the gradual decline in the number of traders at Roque Santeiro it appears to still be the largest market in Luanda: it continues to cover about 50 hectares, and to have about 5,000 registered traders (though maybe 5 times as many traders in reality). The trading circuits of locally produced fish, of beer and of mandioca have Roque Santeiro as important nodes, though to some extent the circuits of all products continue to use Roque Santeiro.

Katintom, Kikolo and Kwanzas now play an important role in wholesaling of goods brought from other parts of the country, such as mandioca. They also play a role in the distribution of some imported products, such as maize at Kikolo, because of the proximity of the importers premises to the market. Closure of such markets might disrupt trading circuits and have a negative impact on the trading of national products.

As well as the traders working in markets, there are large numbers of people working as cleaners, porters and other assistants. They are paid by the stall-holders according to the assistance that they provide. They appear to be poorer than traders: often they are youths who live in the immediate surroundings of the markets (especially at Roque Santeiro). They are likely to be most affected by loss of work if markets were closed.



General view of Roque Santeiro market in 2007.



Vegetable section of a market.



Katinton market: Sale of potatoes in units of one bucket.



Katinton market. Stall selling packaged foods, and also selling beans and flour in units measured by a tin. The owner of the stall bought the flour and beans in sacks of 50 kgs.



Katinton market: a woman selling various types of flour (maize and cassava) in units measured by a tin. The flour was bought in sacks of 50 kgs.



Katinton market: women selling peanuts. The sacks behind them contain peanuts. The woman is drinking water that she has bought in a plastic bag.



Katinton market. The sacks contain peanuts or cassava. They have been unloaded from lorries and are awaiting buyers who will sell them in other parts of the market (in smaller quantities) or transport them to other markets. Katinton has become a market where lorries from the south and centre of Angola unload agricultural products for distribution to other markets by taxi or small vans.



Katinton market.



Roque Santeiro. Retail of fish.



Roque Santeiro. Retail of dried fish. The sellers bought it at the beach and then dried it.



Roque Santeiro. Boxes of fish have been unloaded from the Land Rover in the background and individual boxes are for sale. Women buying a box of fish will sell it in units of individual fish in other parts of the market or elsewhere in Luanda. The young men are offering sacks for sale in case the women need them for easier carrying of the boxes of fish.



Roque Santeiro: the section selling construction materials. In the foreground women are selling nails by weight (note the scales). Other construction materials and tools are in the background.



Roque Santeiro: cooked food on sale (calulu and funge). The customers are on the left. There are various kinds of restaurant in Roque Santeiro, for different types of customer.



Roque Santeiro: “roboteiros” waiting for customers. Roboteiros will transport customers’ goods from one part of the market to another, or to taxis waiting outside the market.



Front façade of Kinaxixe market in the colonial era (1960s)



Kinaxix market being demolished.



The site of Kinaxix market after demolition.

## 7 TRADING IN THE STREET

Trading in the street includes a number of different situations: selling from door-to-door, selling by walking through the streets, selling to cars stopped at traffic lights and in traffic jams, and selling at a fixed point on the pavement. When selling at a fixed point the goods being sold are often more than can be carried. A wide variety of goods are traded in the street. Although it is difficult to sell bulky goods in the street, signs advising of the availability of bulky goods are sometimes held up for passing motorists while the goods are kept in a nearby house.

As noted above, about a quarter of informal sector traders are trading in the street: 11% at a fixed point and 14% moving around. Males aged less than 30 are much more likely to be ambulant traders in the street than other groups. Males are slightly more likely than females to be trading at a fixed point in the street. The amount of street trading varies between areas depending on the number of potential clients on the street, the presence of slowly moving traffic and the presence of transport terminals. During the working week in the central city area there can be high densities of street traders because of the large numbers of potential clients. Poorer peri-urban areas have few street traders.

The study counted the number of people trading in a sample of streets at different times between 2005 and 2008. It was found that the number of people trading in the street fluctuates markedly, because of fluctuation in the number of clients or rebuilding of a road or traffic conditions. The presence of police and *fiscais* may also discourage trading in those locations for a time. This made it difficult to measure the trend in the numbers trading in the street, as it was difficult to separate short-term fluctuations from long-term trends. However overall there would appear that the number of people trading in the street (both moving around and in a fixed place) is growing steadily. In the Comunas of Terra Nova, Rangel and Hoji ya Henda there have been sharp increases in the number of people trading in the streets and sharp decreases in the number of people trading in markets: the closure of markets in these areas has led directly to the displacement of traders into surrounding streets as the demand from clients exists in these areas. In the comuna of Ingombotas (the city centre) the number of street traders appears to have increased slightly as demand from clients continues. The number of street traders declined only in areas where there were already only a small number, and would appear to be linked to a movement to trading from home.

In all areas it is noticeable that there is a gradual tendency for street trading activities to migrate to the doorways of blocks of flats or of houses, where they attract less attention from *fiscais* and which allows the trader to more easily combine trading with domestic activities. When the trader does not live in that particular building they have come to arrangements with the owner, or someone in the building, to use a space at the entrance for their activities.



A xungeira with fruit.



A small shop set up in the street of peri-urban Luanda



Luanda: mobile street sale of clothes



Xungeiras selling on the beach, Luanda



Selling cold drinks to passing cars,



Street selling various types of pans, Luanda



Selling a range of household products in the street, Luanda



Young man selling insecticide, pan scrubs and other household products in the street, Luanda



Young man among the traffic selling face-cloths, Luanda

## 8 TRADING AT HOME

Forty-five per cent of economic activities in Luanda are carried out at home or in front of the house. This percentage is lower among males (especially younger males) and highest among women (especially younger women).

Location of informal activity	Male 30 or less	Male 31 or more	Female 30 or less	Female 31 or more	TOTAL
Per cent					
Inside the house	7	17	27	26	19
In front of the house	11	9	36	32	25

Trading at home is especially important for the sale of drink (77 per cent of those trading drink do so at home, mainly inside the home) and for food (42 per cent of those trading food do so at home, mainly in front of the house). The sale of drinks inside the house has always been a common activity (because beer can be kept cold if there is electricity and a refrigerator). Trading at home, or at the door, mainly involves the direct sale to clients of small quantities of goods such as food or drink. It allows the generation of a small income while also looking after children and the house. It gives customers access to basic goods close to the house from dawn until late at night without having to negotiate busy roads or go to markets.

Type of product and location

Per cent	Food products	Clothes	Shoes	Drink	Other goods	TOTAL
Inside the house	11	4	0	45	15	20
In front of the house	31	21	0	32	20	25

Development Workshop defined a series of areas in 2005 in each Municipality, and visited all homes in those areas. When there was somebody presence in the home, they were asked whether there was an economic activity in the home. This was repeated for the same areas in 2008. In almost all areas sampled, there were more homes with economic activities in 2008 than in 2005, and there were more often multiple activities in a home. The number of increased by just over 90% while the number of homes with economic activities increased by more than 50%.

The most rapid increase has been in the number of activities that are described as a service or as production. This category includes hairdressing, beauty services, tailoring, and making of cakes, biscuits and ice cream. The increase in activities of this type is significant but from a low base: about a sixth of activities in 2005 were said to be in this category but by 2008 were reported as about a third of activities. Observation also suggests that there is a trend towards creation structures for trading in homes and eventually towards small-scale shops within, or attached to, homes. In peri-urban areas there is a tendency to create small shops in the yard of a house, often with a window opening onto the street. Within blocks of flats it was observed that there can be families who have permanent stocks of basic goods who sell to their neighbours; sometimes they take weekly orders for basic goods from their neighbours, purchase in bulk from a market and deliver the orders, while anything left over is sold in small quantities during the rest of the week. The demand being met is for goods to be close to the consumer, avoiding difficult journeys for the consumer. Traders who do this either have their own vehicle or hire a taxi to transport the goods.



Sale of beauty products at the door. The empty beer bottles indicate that there is also beer for sale. The notice on the gate says that ice is for sale.



A small shop in the yard of a house, with a window opening onto the street, selling biscuits, sweets and small quantities of flour, oil, salt and sugar.



A small shop in the yard of a house, with a window opening onto the street, selling biscuits, jars of mayonnaise, matches and mobile-phone cards.

This trend fills the gap identified in Government's policies for trading, namely the lack of trading establishments close to the consumer. This is a gap that the Government expects to be filled by *cantinas* with simplified licensing. The small shops that have in practice been created have not obtained licenses and would probably not meet even the simplified requirements, in terms of structure, of the new licenses. They are open very long hours, while the Government's policy appears to expect *cantinas* to close in the evening. Thus while the evolution of trading at home towards small home-based shops is in some ways similar to Government policy, it still takes a more informal form than expected by Government.

Those who are trading at home are both owner-occupiers and tenants. Being a tenant is not a barrier to having a business at home, and landlords expect that tenants will carry out trading in their property. However tenants are much less likely to make structural investments, such as building a small shop, on their landlord's premises and it is owner-occupiers who take steps to create small shops. Family stability is also required before structural investment is made in the home.

## 9 TRADING CIRCUITS

Little research has previously been carried out about the linkages between the different informal entrepreneurs and about the chains of supply and demand that bring products from the raw material supplier to the consumer in Angola. A fish marketing sub-sector study carried out in the 1990s showed that there is a hierarchy, based on gender and class, in the sub-sector (DW, 1996). Industrial fishing boats, belonging to private fishing companies licensed by the State fished and froze fish at sea. This was sold to male and female wholesalers who hired lorries to transport fish from the boats to Roque Santeiro Market. Individual women fish-sellers then bought individual boxes of fish and sold them in the market. The informal wholesalers tended to have strong linkages with the formal sector and some benefit from credit from the formal sector. The informal wholesalers appeared to succeed in getting protection from the police and guards, while the retail sector worked in precarious conditions and had weak links with the State and the formal sector. Women retailers suffered serious constraints, namely the low level of capital, stiff competition, low negotiating capacity and position, impossibility of reducing costs, limited mobility, limited social networks and weak personal security. Retailers managed to gain a very small income for long days of work, while wholesalers manage to obtain a much larger profit. There were many retailers who, while cooperating with each other in their day-to-day work, were in competition for a limited market. Wholesalers had more skills, had more official contacts and were fewer in number and were in a better position to negotiate.

The present study investigated the supply-chains of a selection of common products sold in informal trading in Luanda. These were cassava (*mandioca*), maize, beer, fish and clothes. Cassava and maize were included as they are basic staple products: cassava is generally produced in Angola while maize is mainly an imported product. Beer fish and clothes are other important products that have different characteristics and so might have different trading circuits. The investigation was similar to sub-sector analyses and value chain analyses<sup>10</sup>. They avoid the tendency to see the informal sector as though it were an undifferentiated mass of micro-enterprises and look at the movement of a product or service through various stages and the linkages and participants at each stage. A value chain describes the full range of activities which are required to bring a product or service from conception, through the different phases of production (involving a combination of physical transformation and the input of various producer services), delivery to final consumers, and final disposal after use. They also look at the rules and institutions governing the relations between the actors in a given sub-sector and, in a full sub-sector analysis, should lead to a detailed understanding of the opportunities and constraints in a given sub-sector and thereby provide a framework for appropriate policy interventions<sup>11</sup>.

The present study interviewed traders in each of these products in each of the various types of location where informal trading takes place: markets, streets and at home. Questions were asked about where the trader obtained the goods and where they sold them, and in which quantities. If interviews had not already been carried out in types of location where the goods

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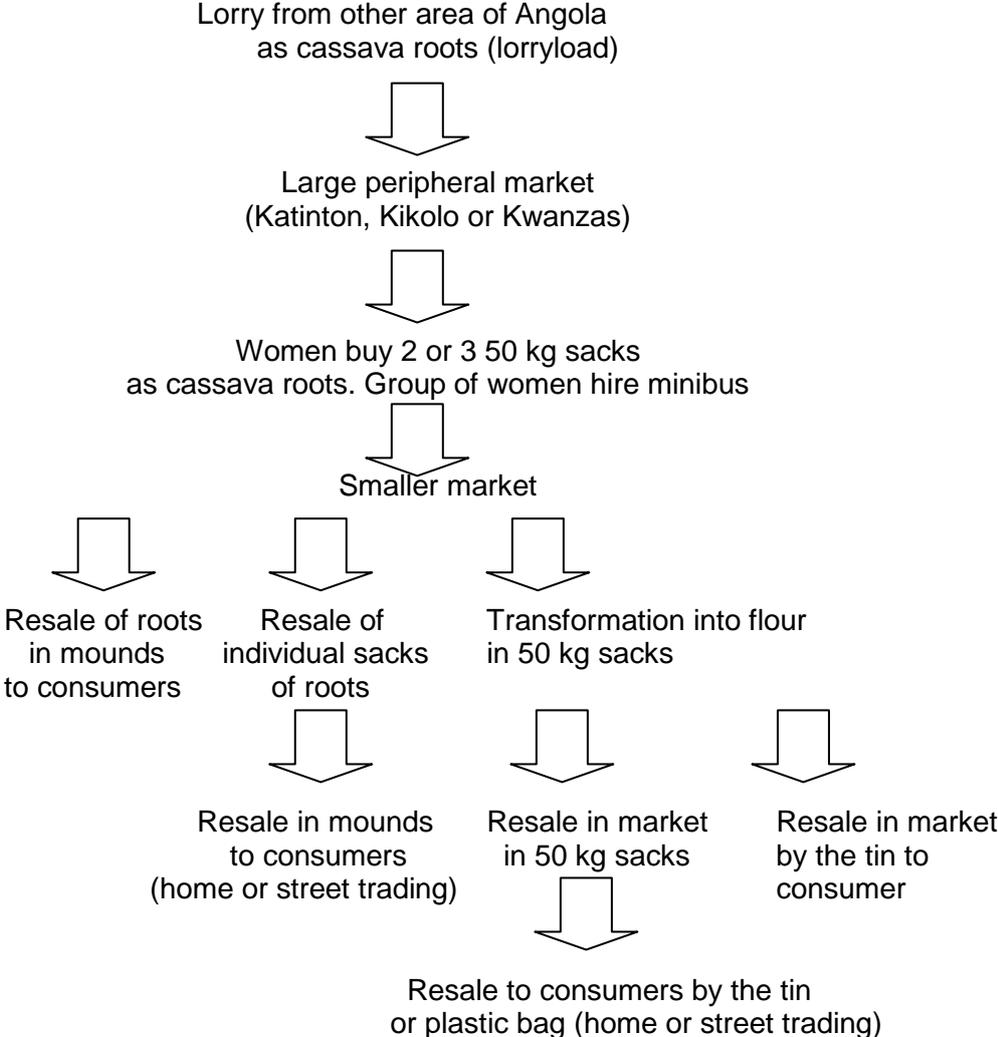
<sup>10</sup> Value chain analysis is complementary to sub-sector analysis. Value-chain analysis builds on the foundation of sub-sector analysis with some additional analytical elements

<sup>11</sup> There has been little work of this kind in Angola. A methodology known as CAPSA (*Capacitating and Sub sector Analyses*) has been used in Angola (near to Lubango) in 2001 and 2002. CAPSA combines *Capacitating* (CAP) and *Sub sector Analyses* (SA). CAPSA is a methodology and instruments for people with limited experience to undertake a sub-sector analysis without international experts, and provides training in general aspects of small enterprise development, assisting in designing appropriate interventions that improve the functioning of the actors within the sub-sector. The objectives of the NGOs who were involved in CAPSA in Lubango were to analyse the productive sectors in urban and peri-urban Lubango, after which interventions would be designed and implemented by these NGOs to improve the performance of small enterprises in certain sub-sectors. A general Economic Mapping (EM) was carried out to determine which sub-sectors were present in the local economy and which of these show most potential for (further) development. It hasn't been possible to locate any results from the exercise in Lubango and the organisation involved withdrew after two years.

were obtained or sold, further interviews were carried out in these other locations. This led to further interviews:- at the beaches where fish are landed; at the warehouses which supply imported fish, clothes and beer; at the markets which supply cassava and maize. In all locations, questions were asked about the price of buying and selling, means of transport used, supply locations, selling locations and quantities.

Cassava sold in Luanda is almost always produced in Angola. In addition it is a product to which value is sometimes added within the country, by milling into different types of flour. It is typically brought to Luanda in private lorries which unload at peripheral markets such as Katinton, Kikolo and Kwanzas. Agents of the lorry-drivers sell the 50 kilo sacks. Buyers, typically women, buy two or three sacks and group together to hire a minibus to take them to another market (such as Congolenses, Golfe, Palanca or many others). Here cassava is sometimes transformed into different forms of flour, and sold in sacks, or re-sold in mounds of roots. The new buyers re-sell in small quantities of flour (at home, in the market or in the street). Cassava may also be sold as a cooked product, on its own or as part of a meal. Only 8 per cent of the final sellers of mandioca purchase it in the same neighbourhood, indicating that the supply network for this product is not as dense as the other products studied (where the average was about 60 per cent). Ninety-six per cent of those involved in trading cassava are women.

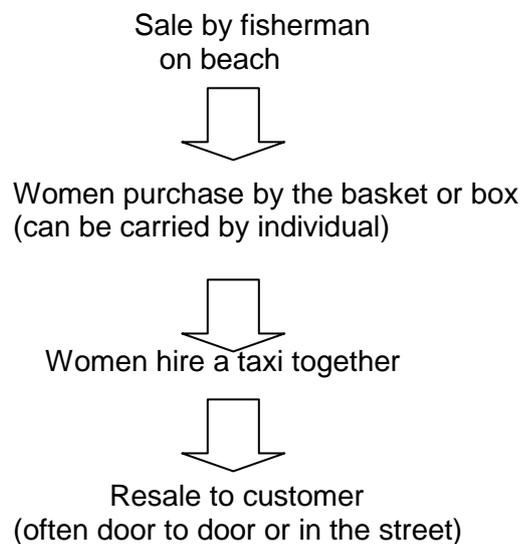
Cassava



Fresh fish is usually bought directly from fishermen on the beach (on the Ilha de Luanda or Samba) by women who hire a taxi together. (There are taxi-drivers who specialise in this, as the smell makes it difficult for them to be also used for other purposes). They then sell fish in a variety of different places (in markets, at home or door-to-door). The supply chains for fresh fish are shorter than for other products, with the woman who purchases on the beach typically selling to the consumer. Fresh fish is more frequently sold in the urbanized part of the city,

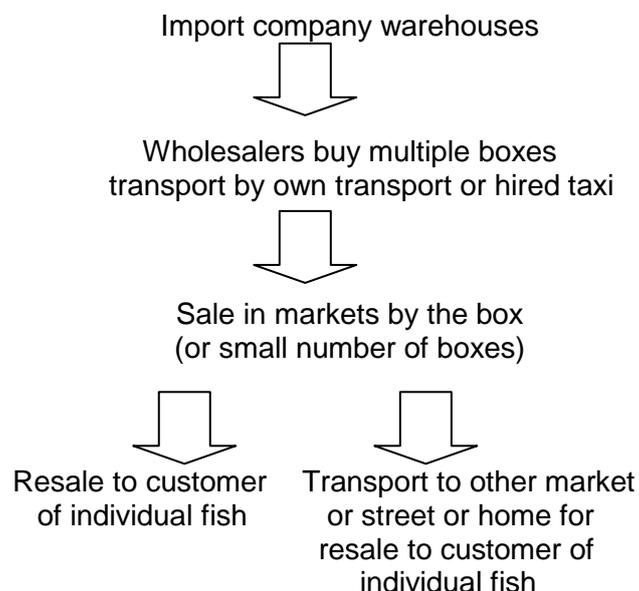
which is not too distant from the beaches. The short supply chain appears to mean a reasonable margin per unit to the trader though the amount that each trader can sell is limited by the perishability of the product.

#### Fresh fish



Imported fish has been frozen and packed in another country, or it has been frozen and packed on the factory-boat and then landed in Angola. It is sold by fishing companies from their warehouses to informal traders who transport it in boxes in taxis or small vans to markets. Roque Santeiro continues to be an important market for this. Here individual boxes are resold to individuals, usually women, who re-sell in the same market, in other markets, door-to-door or in the street. Ninety-six per cent of those involved in trading fish are women.

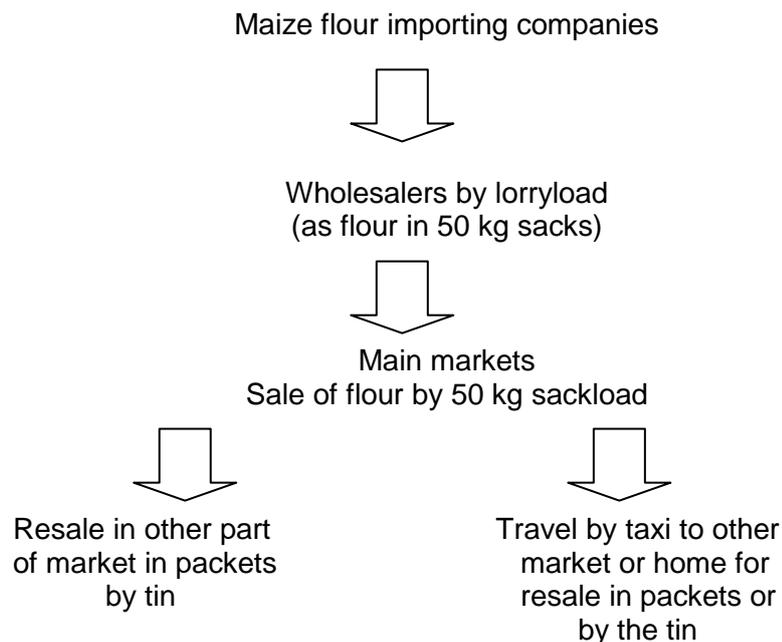
#### Imported fish



When this trade was studied in the 1990s, wholesalers brought fish from the boats at the Porto Pesqueiro to Roque Santeiro, where it was resold to women who resold it in another part of the market. There have been some transformations in the market, in that there are now formal import companies specialising in imported fish, though there continue to wholesalers who transport the fish to those who resell it in market places. This is different from the sale of fresh fish, where there is no wholesaler. The importers of frozen fish appear to be only willing to sell

from their warehouses to certain people who they designate as wholesalers, while fishermen are willing to sell to individual fish-sellers.

Maize is almost always imported, generally as flour in sacks. Although Angola before 1974 produced large quantities of maize in the central plateau region (and even exported it to countries such as Denmark for use as animal feed) the production fell dramatically during the war and supplied only very local needs. Production of maize has not yet recovered to the extent of providing for urban needs and import of maize continues to dominate. The maize importing companies sell from their premises to buyers who collect in lorry loads and transport to the main markets. They re-sell to other intermediaries who buy 50 kg sacks of flour, which they re-sell to the final customer in small amounts (measured by tins) either in other parts of the market or at home or in the street. Ninety-four per cent of those involved in trading maize are women.



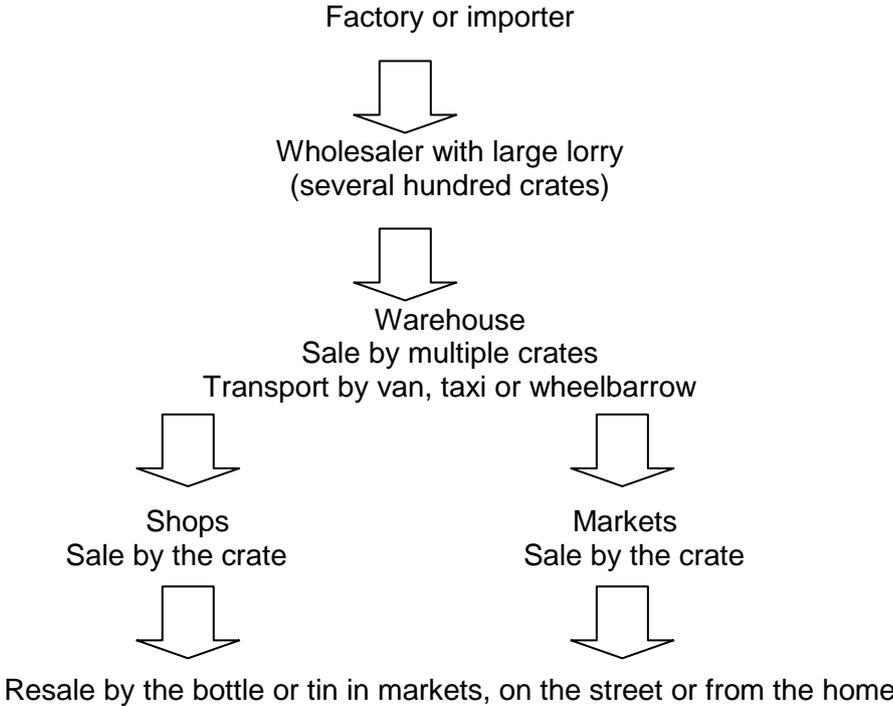
Beer is either imported or produced locally. Wholesalers collect from the factory or from the importer's warehouse in large lorry-loads and transport to other warehouses (for example close to Roque Santeiro market where there are a number of these warehouses). Intermediaries buy from these warehouses, usually buying the number of crates that can be carried in a small vehicle or a large wheel-barrow. These intermediaries may be formal sector shop-owners or traders who sell in the same market (or other market) by the crate. The end of the supply chain is represented by those who buy individual crates of beer from formal shops or from intermediaries in markets and then sell individual bottles or tins in the market, in the street or at home. There are often many stages in the supply-chain for beer, and in and around Roque Santeiro market the same product may pass through three stages:

- sale by multiple crate from warehouses around the edge of Roque Santeiro
- transport by wheelbarrow of multiple crates to the market itself or to markets on the edge of Roque Santeiro for sale in crate-loads
- sale by the individual bottle or tin.

The warehouses are only willing to sell in units of multiple crates and to certain registered customers who hire *robotoiros* (porters) with wheelbarrows to carry their purchases.

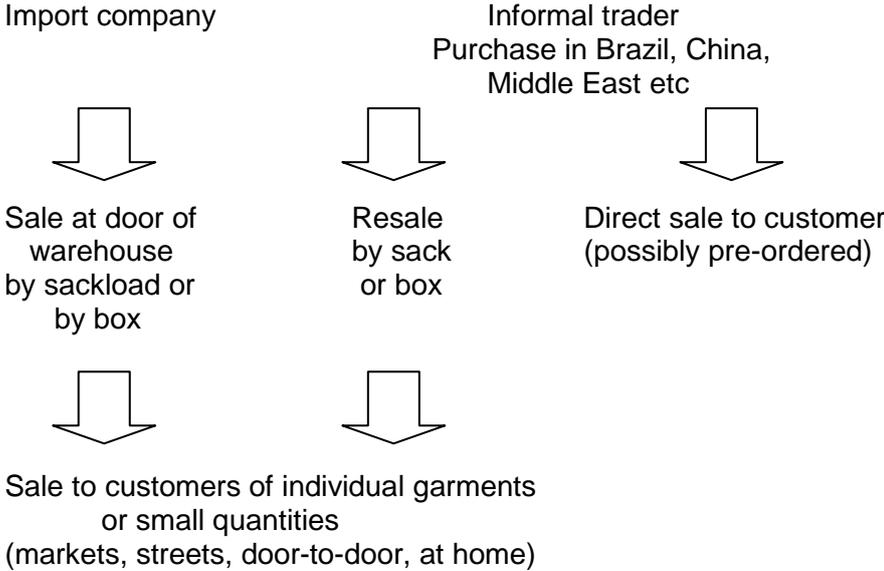
Eighty-five per cent of the final sellers of beer bought the product in the same neighbourhood (a much higher figure than for any of the other products sold): this indicates that consumers are willing to pay for having beer available very close to their homes (or other consumption point) especially if it is kept cold, and that there is a widespread network of shops and markets that sell beer. Beer is the only product (of those studied) apart from maize in which formal sector shops appear as suppliers to informal traders. Half of those involved in the trade of beer are female and half are male.

Beer



Clothes are a very diverse product group (in terms of type of item, quantity and quality) and all are imported. Both the formal and informal sector is involved in import, with informal traders travelling to Brazil, South Africa, China or Dubai to purchase clothes in container loads or in trunks (as accompanied luggage). Formal traders sell their products from the door of warehouses: many of these are disused factories in the Comuna of Hoji ya Henda. The purchasers buy by the sack or box and transport the clothes to markets (often by taxi) and re-sell in smaller units to the final sellers who sell by the unit on the street or in markets. Informal importers often re-sell directly to customers (and may have purchased items for specific customers) or to street sellers. Sixty-seven per cent of those involved in the trade of clothes are men.

Clothes



The supply chain for most products involves a number of intermediaries who break down the bulk of the product so there are usually two or more levels of wholesaler. Informal traders bring the product close to the consumer by transporting it in small quantities to a location convenient for the consumer. Apart from breaking down the product into smaller units and bringing it closer to the consumer, little value is added.

In large markets, such as Roque Santeiro, it is still the case that the same product may be resold a number of times in increasingly small quantities. Despite the relative decline in the importance of markets in the trading system they continue to be part of the supply chain, particularly for nationally produced products, and despite the gradual decline in importance of Roque Santeiro it continues to be an important node for the distribution of all the products studied (though the trading channels for fresh fish go more directly from the beach to the consumer). Markets are declining in importance for trade in small quantities of goods but continue to be important for wholesale transactions. For imported products, however, informal warehouses and formal importers-wholesalers have become more important parts of the supply chains.

Large-scale suppliers (or formal sector actors) were very reluctant to disclose the prices at which they bought and sold goods. When they did supply information it was suspected to be unreliable. Small-scale traders (the informal sector) reported that the prices at which they bought and sold goods varied widely and that they were unable to give average figures. They did not keep any records of their transactions or prices, and varied their prices according to the demand and the type of customer. If they had managed to sell most of their stock at an above-average price they might then sell the rest at a discount so as to clear their stock and move on to another round of purchases. Their objective was to have some profit at the end of the day to meet household expenses, though there may be good days and bad days. There was a high level of variation in the information given about purchase and sale price, and a high level of discrepancy with the information given about profits, so it was not possible to draw conclusions about the income of traders.

Goods can be sold at a higher price in the city centre, where there are more clients and clients have more money, but that involves time and effort in travelling to the city centre and in trading in the street. Goods obtain lower prices in peri-urban areas but, if trading at home, trading can be combined with looking after the home and children.

## 10 CONCLUSIONS

The main finding of this study is that the informal trading economy continues to be a very significant part of the economy of Luanda and an important contribution to livelihoods. Informal economic activities appear not to have declined in number and the majority of activities continue to be trading rather than services or production. The main form of informal production is furniture making and wood working (making doors and window frames) mainly concentrated in Kikolo Market. There is a trend of increasing production of food products (such as meals or sweets) though from a very low base.

A second finding is that there are short-term variations in the number of economic activities in certain locations: government campaigns to reduce street trading in certain areas, or the closure of certain markets (permanently or for rebuilding) reduce the number of activities in these areas though often people return to trade in these areas at a later date. Where there is a demand by purchasers, such as near taxi terminals or from drivers trapped in slow-moving traffic, traders respond by offering goods at these locations. Campaigns only have a short-term effect in suppressing economic activity in these places.

The informal trading economy in Luanda thus appears to be still growing, more than six years after the achievement of peace in Angola. The informal trading economy appears to be entrenched, despite the disappearance of the original factors that led to its appearance almost 30 years ago, and despite government policies to formalize the informal economy and despite the apparent possibility to develop formal, job-creating activities that build on the resources of the country as a whole. The migration of trading activities to people's residences, and their gradual transformation into *cantinas* or small shops, which eventually acquire official documents, appears to be one way in which trading becomes formalized. This would however be a very slow process. There are also some signs of an increase in activities at home that add some value (such as making ice cream or cakes), and in trading in agricultural products from Angola. However these are also gradual trends, and the bulk of the informal economy continues to be trading and most products being traded are imported.

However the main underlying factor that contributes to the continued importance of the informal trading economy is the shortage of formal employment, which leads to large numbers of people creating their own economic activities in ways that require only small amounts of capital and low levels of skill. There are gaps in the formal trading system, such a lack of shops in peri-urban areas and a demand from customers in accessible locations such as in the street or near to their homes. Throughout Luanda the informal economy brings goods close to people's doors, to their car windows or in front of them on the street.

The shortage of formal employment persists because the rebuilding of the formal economy is only in its first stages. Although peace was achieved in 2002, it was only in 2006 that serious reconstruction activities began. Angola had hoped for a donors' conference that would provide funds for reconstruction but the donors added a series of new conditions before it could be held. Eventually the price of oil began to rise rapidly in 2005 and Angola decided to seek oil-backed loans (from China and elsewhere) for reconstruction. These came through in 2006 at which point reconstruction of roads and railways into the interior began, and funds became available for agricultural and marketing projects. It is thus only in about 2008 that access to inland cities such as Malanje, Uige, Huambo and Kuito was significantly improved. Reconstruction projects themselves have provided some jobs for Angolans, though the need to complete projects speedily (and their financing through tied lines of credit backed by future oil production) has led to the import of significant amounts of foreign skilled and supervisory labour. It is too soon to see how rebuilding of transport links and the marketing system will have an impact through increased internal economic activity and thus on the availability of formal employment. The informal trading economy continues to be an important aspect of livelihood strategies. Families who have difficulty in access to opportunities to trade are poorer. Informal retail trade provides a low income, but a better one than occasional jobs (*biscatos*) that are often the only

alternative. Families who were removed from Boa Vista to Zango, for example, are poor because they now live distant from trading opportunities and have been prevented from access to markets in Viana by people who were there before them. They have a good standard of house, provided by the Government, but low incomes (Carlos, 2005). This has implications for the process of changing the locations of markets if it reduces the number of people who have access to trading opportunities.

Informal trading is a low capital and low skill activity. Traders ask for easier access to credit as a solution to their difficulties of low turnover and income, and access to credit has become somewhat easier since 2002 through NGO micro-credit and small scale credit through banks. However if credit allows some traders to increase their turnover in context where there is an over-supply of sellers and where traders report that one of their main problems is a lack of clients, then the result may be squeezing out of other traders who do not have access to credit. To avoid further saturation of markets, credit would need to be accompanied by business development services and professional training that help develop new business niches and develop activities that add more value, such as trading between regions of the country and transformation of primary materials. Business development services and professional training are as yet of very small-scale compared to the need: at least 100,000 people enter the job market in Luanda each year while BDS and professional training cater for a few hundred people. As yet the skills do not appear to be being created to develop the non-oil formal economy on a scale that will absorb significant amounts of labour.



Agricultural products for sale by the side of the road in Huambo Province. Although the prices here in Huambo Province are very low compared to the prices in Luanda and roads are now open and being improved, most goods (even food that could be produced in Angola) are still imported.

Another barrier to the development of economic activities that add value, and eventually create formal sector employment, is the unreliability of services such as electricity supply and water

supply. Reconstruction activities should improve these services, but so far the extension of these services is barely keeping pace with the growth in the size of the city. It should also be noted that the important factor is the unreliability of the service, and not its existence per se, and these services continue to be unreliable: capital investment from foreign credit lines may not resolve institutional and management problems that are behind unreliability and it is as yet unclear whether enough has been invested in skills and institutions to guarantee uninterrupted supplies.

Government policies in practice present a long-term vision of a transformed commercial sector in Angola but the pathway is unclear and the policies take little account of the present realities. Although the intention is to encourage nationally-produced goods and to formalize the informal sector, there is a lack of detailed information about how the Government intends to achieve these aims. The import of basic goods is well entrenched, as is the informal trade sector, so these aims may not be easy to achieve. The programme of the Government to formalize the informal economy has, so far, mainly acted as a signal to informal traders to adapt to changing circumstances. However if there were a concerted effort by the Government to prevent trading in the street in the central, urban core or the city, (which is part of the Government's programme) while alternative employment is not available, this would have a significant negative impact on those relying on the informal trading economy for survival.

Similarly the Government's programme includes the intention to prevent wholesale activities in or near the central core of the city, including the suppression of wholesale trade in the abandoned factories in Cazenga and Hoji-ya-Henda: the intention is to concentrate wholesale trading in a special zone in Viana more than 20 kms from the city. This would disrupt trading circuits in imported goods, which could have a significant negative impact on the livelihoods of those who retail these products, adding to their travel time and cutting into their slim profit margins. Similarly any action to limit activities at markets like Katinton or Kikolo could disrupt trading circuits in national agricultural products which mainly pass through these markets. National trade in rural production is still mainly informal and, if the policy is to encourage this trade, actions that affect the informal markets through which it passes should be avoided. Although the importance of Roque Santeiro is gradually declining, it is still a key node in the trading circuits and precipitate closure of Roque Santeiro could seriously disrupt these circuits; Roque Santeiro is becoming less important for retail trade but still plays an important role in bulk supply. The detailed study of the distribution of products shows that Roque Santeiro and the warehouses are an important part of the chain of distribution of many products because of their position that is not too distant from the port and from the centre of demand. Moving wholesaling functions to locations more than 15 kms from the port and city centre implies additional transport movements. It is possible that new informal distribution pathways will emerge that bypass these movements, or it may create additional disruption.

It is thus probably premature to forecast how the urban informal trade economy will evolve in Angola. A lot depends on how the Government's plans to formalize the informal economy evolve. If they begin to restrict informal economic activities, through suppression of street trading or market places, before skills are developed to develop the formal economy, there is likely to be a negative impact in livelihoods which are still highly dependent on informal trading activities. The gradual migration of trade to houses will still require trading in markets and on the street to supply these locations. This migration does offer some possibility of stabilization of economic activities and the gradual development of activities that add value, replace imports and create employment. Such activities will need to be nurtured and not suppressed. The possibility of simplified licenses will need to be in practice simple and offer some advantages of security and recognition. More skills and professional training will need to be available of formalization is to offer advantages to participants in the market. Credit will need to be linked to adding value and creating employment, rather than increasing market share of only some traders.

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