



## Formalization of Street Vending in Dar es Salaam: The Implementation and Enforcement of the Small-scale Entrepreneurs' Identity Card Initiative

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### Key messages

- The introduction of the small-scale entrepreneur identity card initiative in 2018 has facilitated the recognition of street vending and related informal businesses, permitting vendors to conduct their activities in the country without discrimination and harassment by government authorities.
- The ID initiative has offered more income-earning opportunities to urban inhabitants and widened the tax base as part of the ongoing domestic revenue mobilization efforts through the ID's annual fee of TZS 20,000. Also, it has improved the equality and fairness in revenue collection between street vendors and formal traders.
- The identity card initiative has several challenges including insufficient education to stakeholders on the initiative, weak identification and a thorough assessment of eligible businesses and enforcement.
- Through participatory approach, Dar es Salaam region has the opportunity to build a model that works best for street vending businesses.

### Introduction

The huge presence of street vendors is evident throughout African urban public spaces, although their total number in urban areas remains hard to be established. Street vending is not only seen as one of the options for earning a living in the face of increasing poverty, but it is also reported to have a remarkable capacity to offset urban unemployment and contribute to poverty alleviation (Mramba, 2015; Tripp, 1997). Also, research in different cities in developing countries suggest that street vendors contribute to the food security and serve as a safety net for the sizable poorer urban residents through their incomes (Mengistu & Jibat, 2015; Riley & Legwegoh, 2014).

However, Uwitije (2016) pointed that street vending operates outside the formal legal framework and is characterized by a violation of zoning codes and non-compliance with labour codes and tax liabilities. Street vending is not documented as a legal activity in most of the countries across the world. Government authorities view these vending activities as discomfort and barrier to smooth urban development (Bhatt & Jariwala, 2018; Njaya, 2014).

City by-laws in sub-Saharan Africa either makes it hard for street traders to operate in the city or consider them illegal, hence, unprotected (Gosebo, 2016; Ndhlovu, 2011). South Africa is one of the mentioned exceptional countries in the region where street vendors are legally protected and recognised (Mitullah, 2003; Njaya, 2014; Mramba, 2015). Street vendors in most of Sub-Saharan Africa (SSA) cities and towns undertake their businesses with no legal status to do so; in turn, they are vulnerable to police harassment, confiscation of their goods, fines, corruption or serve jail time (WIEGO, 2013). Mitullah (2003) indicated that Urban Authorities in SSA, except South Africa, operate with outdated policies and regulations that emphasize the illegality of petty trade.

Over the years, the government of Tanzania has attempted to push away street vendors to curb tax evasion and maintain clean cities to reduce losing the competitive edge by becoming less attractive to investors. Other reasons behind the street vendors' crackdown include the containment of infectious diseases like cholera, to manage the growing levels of crimes, and reduce congestion in the cities (Msoka, 2007).

Since the 1980s, the government has developed and implemented several initiatives to formalize street vending businesses including offering of minor license “*Nguvu Kazi*” and the construction of vending locations (e.g., “*Machinga Complex*” in Dar es Salaam). Although the initiatives have not cured the problem.

More recently in 2018, the Tanzanian fifth government introduced special identification cards initiative for small-scale entrepreneurs (*Wamachinga IDs*) to recognize and formalize informal businesses in the country. Therefore, this policy brief examines the implementation of the initiative, focusing on its implementation, and challenges.

This study was implemented in three municipalities (Ilala, Kinondoni and Temeke) of Dar es Salaam region. The study employed qualitative research paradigm. An explanatory approach was adopted to study the selected cases with specific focus on identity card’s implementation achievements and challenges. The interviews, Focus Group Discussions (FGDs) and observation were used. The FGD participants were sourced from among street vendors and each municipality had two groups of five participants making a total of 30 participants. Further, 26 key informants were interviewed, hence, making a total of 56 participants. The thematic analysis techniques were employed to analyse data.

### Findings

Research findings revealed mixed views regarding the participant’s knowledge and understanding of small entrepreneur’s ID initiative and their role in the formalization of street vendors’ businesses. There were multiple understandings on the strategy because of inadequate education to both street vendors and local government officials. In the conducted FGDs, street vendors were asked to explain how they thought the identity card programme would help and sustain their business formalization processes. The most common response was that they got recognized and they could conduct their businesses everywhere in the country without being harassed by the government officials or city militia. Others indicated that their businesses and trading areas were already formalized. This implies that the understanding of street vendors has brought about some policy confusion and contradiction about the whole idea of business formalization and enforcement of related laws.

Other street vendors understood the ID programme as a way of getting their statistics for future plans. However, some stated that, it was government’s technique for revenue collection, and some considered as politicians’ techniques to win vendor’s political support. One of the FGD participants from Mwenge asserted:

*“In my opinion, the ID cards are politically-driven, and the President is using it for political gain and support since there are no supporting laws or allocated formal trading areas.”*



**Plate A:** Front and back of the small-scale entrepreneur ID card (*Machinga ID*), showing the issuing authority, card number and period of validity. The card lacks a name, photo, signature of the possessor and the business location (source: fieldwork observation, April, 2019).

### Key aspects of implementation

The strategy was announced by the President, His excellency, late Magufuli as part of measures aiming to improve the business environment for informal wage workers. The initiative was accompanied by several directives such as the recognition of petty traders by local authorities, abolition of all kinds of harassments to petty traders including eviction, issuing of Identity Cards (IDs) to traders at a fixed cost of TZS 20,000 per annum and should not pay any extra amount to any authority. The IDs allowed traders to undertake their trading activities freely in any place across the country. According to the President’s announcement, traders missing IDs would not be allowed to conduct businesses. Moreover, Local Government Authorities (LGAs) were also tasked to continue searching for conducive and adequate trading areas where traders would be comfortable to undertake their activities.

The IDs are special for every Tanzanian small trader with a business not exceeding a capital size of TZS 4,000,000. The ID cards are given on an annual basis at a lumpsum cost of TZS 20,000 paid to the central government. Nevertheless, the implementation and supervision of the strategy is done by the lower-level Local Government Authorities, i.e., Ward and Mtaa offices. Furthermore, it was reported that at the beginning of the exercise, vendors were required to have an introduction letter from their respective Mtaa/village offices as one of the criteria of getting identity cards. Though, the criterion was not maintained throughout the exercise, the only strict criterion was the annual ID fee of TZS 20,000. In other words, there was no clear and adhered yardstick to determine the eligibility for acquiring IDs, a practice which may stimulate corruption and nepotism. Moreover, the government through its Regional and District Commissioners commanded responsible lower local government offices to sell/distribute certain number of IDs in their respective area of jurisdiction and failure to do that was leading to a job loss.

Overall, the responses from street vendors during FGDs and interviews with local government officials suggested that most street vendors were content with the introduction of IDs. Likewise, both vendors and local government officials were pleased with the aspects of the programme including freedom to conduct businesses without harassment. In addition, it was noted that before the introduction of IDs, there were many incidences of fighting and hostile relationships between street vendors and government officials. In a nutshell, the introduction of Wamachinga IDs has facilitated the recognition of street vending businesses and has permitted the vendors to conduct their businesses without harassment by the government machineries. As a consequence, it has eradicated the unfair treatment and discriminatory practices done by the city authorities and the militias. This was supported by FGD participant;

*"We commend our President for lifting us with these Wamachinga IDs and his order of March 1<sup>st</sup>, 2019 that Wamachinga should not be disturbed wherever they are operating their businesses."*

Moreover, the ID fee has added to the country's domestic revenue collection. This has also improved the equality and fairness in revenue collection between street vendors and formal traders. It was uncovered by Tandika Mtaa Executive Officer that;

*"I must congratulate President Magufuli for coming up with the idea of IDs. It has enabled our government to collect more revenue, and also brought some equality between formal and informal traders."*

Likewise, the strategy has opened up income-earning opportunities to urban poor and unemployed residents to sustain their livelihoods.

The introduction of MIDCs is considered as a good technique to identify and secure data/information related to small entrepreneurs in the country's future plans including an improving of urban land use, safety and security. It was asserted during an interview with Mwenge Mtaa Executive Officer (MEO);

*"The IDs will help us to get data of how many street vendors are in here. To me it has simplified a lot because you cannot lead people that you don't even know their number."*

### *Challenges*

The brief established that the introduction of small traders' IDs lacked a proper legal framework to support the strategy. The strategy was just a mere announcement by the Head of State followed with his orders. Some aspects of the IDs strategy orders conflicted with the existing by-laws and regulations guiding operations in particular municipalities. Hence, it posed challenges on by-laws enforcements. Among the conflicting by-laws include those related to the collection of land use fees, wastes management/environmental cleanness levy, land use and hygiene regulations, etc.

For instance, the order to allow a vendor with IDs to work anywhere have triggered them to operate in unsafe and non-authorized areas such as the fire escape lanes, pedestrian strips, service roads, sanitary corridors and public open spaces.

Furthermore, the strategy has increased solid wastes and congestion in some areas. Small traders in Kariakoo, Bunju and Tandika areas were reported to be the main producers of waste and cause impassability of both cars and pedestrians. While the Local Government Officials appreciated the contribution of TZS 20,000 into government revenues, they revealed their concerns about Wamachinga's reluctance to recognize any other fee they were requested to pay for instance, the solid wastes collection fee. Failure to collect the waste on time poses a serious challenge on solid wastes management. In an interview with the Kariakoo West Mtaa Executive Officer she mentioned:

*"About 70% of the solid wastes here in Kariakoo is produced by street vending related activities. Yet, Wamachinga are not ready to contribute fee for solid waste collection."*

Similarly, in an interview with Tandika WEO added:

*"Don't remind me about these people; they don't want to give out any coin for wastes collection and they dare to tell us if we keep on demanding any amount from them, they will report us to the President who ordered them to pay only 20,000 for the ID."*

Also, the ID initiative and associated orders have increased congestion especially in Kariakoo, Majimatitu C and Tandika. Wamachinga place their stalls and display goods on the grounds everywhere, be it on the road or in front of formal business doors. In Kariakoo, vendors display their goods on the pedestrian pathways alongside the "Dar es Salaam Rapid Transport Buses" (DART) project and force people to walk on the buses' lane. The uncontrolled congestion poses a high risk to the pedestrians' lives as shown in plate A of the annexes.

Moreover, Wamachinga ID strategy and supported orders were mentioned to be a catalyst in maintaining the informality. First, the freedom given to street vendors encouraged more people from within Dar es Salaam and migrants from upcountry to join the sector. Some of them migrate to Dar es Salaam after being invited by their relatives and friends who are in the business already. Second, the study finds that due to lack of a thorough assessment, some of overqualified business personnel including the formal ones find it more prudent and cost effective to pay TZS 20,000 for an ID than to remain formalized and incur a minimum of TZS 3,000,000 per month on rent, business license, solid waste levy, VAT, electricity, service levy, etc. As if that was not enough, some formal businessmen/enterprises were reported to recruit some young men and buy them Wamachinga IDs to sell items on their behalf. It was a trick for tax evasion and impeding tax compliance efforts. Additionally, the exercise of giving Wamachinga IDs was seen by most of the interviewed municipal officials as uncoordinated and poorly implemented because there

was no thorough assessment made to establish the common understanding of Wamachinga activities, and their actual business locations. Basically, LGAs had to be involved from the start and required to come up with an implementation plan instead of just receiving order from the above through media. The outcome of this top-down approach resulted in poor ownership of the ID project by the responsible local authorities. Some local government officials did not know exactly what it was and how it was going to end. For instance, one LGA official stated:

*“You can’t touch any Machinga who has an ID because he is protected/covered by the President and is formalized. We hope to receive new instructions which will enable us to resume implementing our normal duties and plans.”*

Another challenge was weak enforcement of the ID programme. After the introduction of the Wamachinga IDs, the order was that every small trader with the business capital not exceeding four million Tanzanian shillings must have an ID. However, it was reported that there was no difference between those with IDs and those without. For those who got them, they were likely to be discouraged seeing that there were no steps taken against those who refused to get the identity cards. It means that next time they may also decide not to buy identity cards at all. It was said in the Kibondemaji FGD that:

*We are in a dilemma because there is no difference between those with IDs and those without. We all continue running our businesses peacefully. Earlier it was announced that every Wamachinga has to have an ID, and there will be an inspection, but we do not see anything happening.*

Furthermore, it was repeatedly mentioned that the absence of important information about the holder of the IDs such as: names, date of birth, photo, signature, location and type of business (see annex A). This would enable everyone to effortlessly identify their ID even when it is misplaced. Also, if the card is stolen, someone else cannot pretend to be the owner and use it.

The inclusion of business location is crucial in getting correct data on business centers for better planning and for minimizing space conflicts. For instance, it was reported that in Mwenge one officer sold Wamachinga IDs to Wamachinga who were operating in Kimara and Mbagala which is more than 20 Kilometres away. It raised some suspicions that Wamachinga who possessed IDs might conspire and share their cards with those with no IDs at the inspection time to cheat authorities.

## Conclusion and recommendations

The research findings indicate that the government’s decision to identify and formalize street vendors in Tanzania, particularly with the case of Dar es Salaam city is positively received by street vendors. These positive sentiments are influenced by the historical memories of harassment and mistreatment by the city authorities and militias. The ID initiative is a useful tool for improving the earnings to most city residents and subsequently to the government revenues. However, the initiative carries a number of challenges including solid waste management, congestion, poor compliance to municipal charges and missing of important personal details on the identity cards. This policy brief recommends:

- Provision of education to create common understanding among stakeholders about the strategy is of critical importance. Among others education on the concept of business, formalization, processes, and opportunities be clear and understood by stakeholders. As well, improve the relationship between the city authorities and street vendors.
- Adoption of a more participatory approach in the implementation of the strategy. It is very crucial to empower and involve street vendors’ association(s), formal business association, local government, and other stakeholders. It should aim at improving the designing and implementation of the Wamachinga Identity Cards strategy by conducting a thorough and participatory assessment of who can pay what, where to operate (attention to the ‘natural markets’ i.e., those places where street traders congregate ‘naturally’ to adapt to flows of passing customers), and the overall proper management of the process. Also, inclusion of necessary personal details like names, date of birth, photo, signature, location, and type of business
- Formulation of special policy to oversee street vending activities and IDs. The policy should also address inclusion of street vending in urban planning regulations, and provide guidelines on harassment from local government authorities, confiscation of vendors’ commodities.

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