



*Sally Roever, WIEGO's Street Vendor Sector Specialist, gave this presentation at a dialogue on formalizing the informal economy in Montevideo, Uruguay on October 30, 2013. In it, she argues that formalization must be a gradual, ongoing process which recognizes the contributions and the basic rights of vendors, and which considers both the costs and the benefits for all partners.*

## **Formalizing Street Vendors**

*Muy buenas tardes*, good afternoon, and thank you very much for the opportunity to be a part of this event.

I do not come from an organization of street vendors myself, but rather an organization that has worked for many years with street vendors from all around the world. So although I cannot speak as a vendor, I can speak as someone who has passed many hours and days listening to what street vendors have to say about their work.

First and foremost, street vendors recognize the valuable contributions they are making to their households, to their families, to their communities and to their cities.

- The income they earn from selling in the streets is often the main source of income for their households.
- They use this income to bring meals to their families, send their children to school, and survive all the shocks that can affect a household.
- Many know their customers personally, and can respond to their needs.
- And they generate jobs – for themselves, for their suppliers, for people who carry things (porters), people who provide storage and security, people who provide transport. Street vendors have heavy responsibilities, as they are at the centre of a broad network of households, workers, other enterprises, and urban residents who rely on them for basic necessities.

**Formalization** for street vendors means having a secure vending site in a good location in the city. It may mean having a registered business, and paying more taxes and fees, but it also means realizing basic rights: the right to work and to earn without harassment, without discrimination, and with dignity.

Vendors make their own workplaces – they find a good location for selling and they figure out what can be sold at that place.

But those workplaces are not secure in most cities. In order for street vendors to have access to good *and* secure work places, cities must first recognize the value of public space as a foundation for livelihoods as well as for social and cultural interaction.

It *is* possible for cities to find a way to balance the need to support informal livelihoods *and* the need to recognize other demands on public space. I would like to mention four principles that cities have used to support such a balance:

(1) Considering both costs and benefits for all partners in formalization.

There are many examples of *unsuccessful* formalization programs from around the world, where priority is given to imposing costs on vendors and accruing benefits for the city government. But if vendors don't also benefit, formalization cannot be achieved or sustained over time.

- When formalization only means “move off the streets,” many vendors won't earn enough income to pay rent for a stall off the streets.
- When formalization only means “register your business” or “pay income taxes,” vendors won't have a reason to formalize, and or stay formal.

Any attempt at formalizing street vendors must consider a range of support mechanisms that will help vendors sustain their income over time. This includes secure, legal access to good locations in public space, better infrastructure at their vending sites, and effective protection against harassment and abuse of authority.

(2) This leads to the second principle: **Formalization is not a one-step process.** There is no single, easy, one-step way to formalize informal employment. It should be understood as a gradual, ongoing process of incrementally incorporating informal workers and enterprises, strengthening them, and extending rights and benefits so that their economic potential and human security may be realized.

Vendors consider themselves agents in the process of formalization. Clarisse Gnahoui, a street vendor from Benin and WIEGO Board member, says, “we have to play our own part in improving the informal economy. It is not easy but gradually and through sustained effort, we will get there.”

A fair and inclusive formalization approach must consider who can afford to pay what, and what rights and benefits most urgently need to be secured, in order for them to sustain their businesses through the transition from informal to formal.

(3) The third principle is **engaging in dialogue** with vendors' organizations through permanent collective bargaining forums.

Street vendors are workers. They provide valuable services to city residents: they offer easy access to daily necessities in small quantities at affordable prices. Not

only do they have a right as workers to organize and be represented in the policy process, but cities can also benefit from structured dialogue with representative organizations. Like other enterprise operators, vendors need a stable business environment, and a voice in the policies that affect them.

(4) Through permanent dialogue, **designing fair and transparent regulations**, so that the city's public spaces are not overtaken by chaos and congestion, but at the same time, all vendors have a chance to sustain their enterprises over time. This means:

- Vendors who formalize have *effective* legal protection from arbitrary evictions and abuse of authority.
- Vendors who formalize can generate enough income once they incur the costs of formalization to keep their businesses going.
- Vendors who don't earn enough to pay high fees have some way of obtaining legal status that enables them to earn what they can, and protects them from having their merchandise confiscated.

With this approach, an enabling economic environment may be created for those living and working in poverty.

These principles have been put to use in a handful of innovative cities around the world. What makes all the difference is a consideration of the terms of formalization for street vendors. Where vendors are viewed as assets to cities, and are treated as partners in finding sustainable solutions, formalization can work for everyone.

This is not only an argument about fundamental rights – it is also one about achieving economic growth through inclusion.

Thank you.