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## FOCUS

### Informal sector

Where the informal sector is large, official legislation and traditional norms coexist awkwardly. In such settings, it does not make much sense to insist on the rule of law, because laws are not – or only rarely – enforced and do not appropriately reflect how people actually live. Lack of sufficient tax revenues, moreover, the state cannot serve all of its modern functions. Informal businesses tend to be small and labour-intensive. Profits and wages remain low, and the people concerned mostly stay poor.

Title: Road-side barber in Zimbabwe.

Photo: picture-alliance/Xinhua News Agency/Tafara Mugwara







 **Our focus section on the informal sector starts on page 18. It pertains to the UN's 8<sup>th</sup> and 10<sup>th</sup> Sustainable Development Goals (SDGs). They are “decent work and economic growth” and “reduced inequalities”. The topic also has a bearing on other SDGs.**

upon these people’s fundamental human rights. The state is actually still the oppressive institution it was in colonial and feudal times.

All too often, what is not counted, does not count. Informal activities do not generate data. Ignorance of how masses of people live obviously makes prudent policymaking very difficult.

Where dualism is pronounced, the state is small and weak. It may look strong in terms of its oppressive means, but it is unable to fulfil important modern functions. Since it cannot collect taxes sufficiently, effectively or fairly, it lacks the funds for building strong infrastructure, running good schools and providing universal health care. A modern, functionally differentiated society needs a stronger and more enabling state which creates opportunities and responds to people’s needs. The way forward must be to accept social reality, ensure the livelihoods people indeed depend on are legal and then start regulating matters in ways that facilitate broad-based progress.

## Where the state is too small

Free-market enthusiasts dream of a “small state” because, in their eyes, regulations and taxes only reduce the efficiency of market transactions. What may sound good in theory, however, does not work in empirical reality. Where the state is absent, might makes right, so the strong can dominate the weak without restraint.

That is evident in the informal sector. Its businesses are neither registered nor regulated. They have no legal certainty regarding contract enforcement. The preference is thus for doing business with persons one can trust. Informal entrepreneurs typically hire family members and take loans from relatives. They do not look for the best qualified applicant or the least costly credit. Unable to invest, moreover, the businesses stay small, labour-intensive and stuck in low productivity. Both profits and wages remain meagre too.

The informal sector is a sphere where the law offers no protections because it is not – or only rarely – enforced. There thus is no occupational safety, no environmental protection and no holidays. To some extent, local values and community traditions apply, but insecurity is common. Urban life, especially in developing countries, tends to be multicultural. People speak different languages, adhere to different faiths and belong

to different tribes (in Africa) or castes (in South Asia). They share the values of their own community, but feel little obligation to other communities. In many cases, informal businesses pay money to mafia-like protection rackets.

Things are a bit different in rural areas. However, oppressive traditions tend to be strong where state agencies have little impact. In many ways, the work of smallholders and subsistence farmers is informal too. On the other hand, there are pockets of informal activity in high-income countries as well. For example, migrant women with dubious or no legal status work as household helpers in many European cities.

Where the informal sector is large, strong dualism typically marks society. This term stands for formal law coexisting awkwardly with traditional norms. Some spheres of social life are exclusively guided by one or the other. In such settings, it makes little sense to speak of the rule of law because official legislation does not take full account of social reality.

Informal urban settlements, for example, grow unplanned and typically do not conform with legislation, but hundreds of millions of people have no other home. When authorities evict them, claiming the settlements are illegal, formal law infringes



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Photo: Imran Mukhtar

Ronald Ssegujja Ssekandi is a former intern who is now in charge of editing our Nowadays column. Regular readers will remember him. A few months ago, he returned to Uganda after graduating from his masters course in development management at Ruhr-Universität Bochum. As part of the course, he spent six weeks with us on digitised platforms during the Covid-19 pandemic. This month’s focus section includes a story he wrote about improving informal livelihoods in Uganda.



▶ You’ll find all contributions of our focus section plus related ones on our website – they’ll be compiled in next month’s briefing section.



Ovaherero gathering at a chieftain's grave in the Namibian city of Okahandja.

GERMANY AND NAMIBIA

## Reconsidering reconciliation

Germany continues to grapple with its colonial past. Talks with the Namibian government regarding making amends for the genocidal colonial war at the beginning of the 20<sup>th</sup> century have stalled. One reason is fierce opposition in Namibia to what has been agreed so far.

By Henning Melber

In 2015, a spokesperson of the Federal Foreign Office acknowledged that the war waged by German troops in the colony of German South West Africa in 1904 amounted to genocide. The victims were from the Ovaherero and Nama ethnic groups (and, to some extent, the Damara and San as well).

Since then, Germany and Namibia have been engaged in bilateral talks to make amends for the crimes committed by the colonial power more than a century earlier.

The negotiations are being observed with interest around the world. After all, no other former colonial power has made similar concessions so far, even though colonial rulers wiped out ethnic groups elsewhere too. In the three former British colonies New Zealand, Canada and Australia, however,

governments have made various gestures to survivors of indigenous peoples.

Germany's attempt to address the injustice could set a precedent. The negotiations with Namibia are thus something of a balancing act. The Federal Government is keen to avoid the far-reaching consequences that a full admission of guilt would entail.

After five and a half years of negotiations, the special envoys of both countries agreed a joint declaration in Berlin in mid-May 2021. Its programmatic title reads: "United in remembrance of our colonial past, united in our will to reconcile, united in our vision of the future."

The document was supposed to be ratified by both foreign ministers in Windhoek in June, but then came the pandemic. There is, moreover, massive opposition in Namibia. Judging by recent developments, the Namibian side is unlikely to approve the declaration in its current form.

### ADMISSION OF GUILT

In the declaration, Germany's admission of guilt is unequivocal: "The German Government acknowledges that the abomina-

ble atrocities committed during periods of the colonial war culminated in events that, from today's perspective, would be called genocide." As so often, however, the devil is in the detail. In this case, the words "today's perspective" are the problem. They mean that though Germany "accepts a moral, historical and political obligation to tender an apology for this genocide and subsequently provide the necessary means for reconciliation and reconstruction," it does not acknowledge any legal duties. Accordingly, the term "reparations" is not mentioned either.

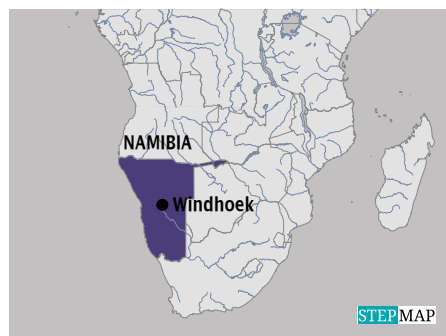
Heiko Maas, then Germany's foreign minister, spoke in the Bundestag, the federal parliament on 9 June 2021. He insisted that the agreement was voluntary and denied there was any legal obligation to make payments. "This is not comparable to the issue of reparations," he added.

As a matter of fact, the unsigned declaration notes that it settles "all financial aspects of the issues relating to the past". In May 2021, Maas had told the press that €1.1 billion were to be made available to support reconstruction in Namibia. He said that was a "gesture of recognition of the immeasurable suffering," but clarified that legal claims for compensation could not be derived from the declaration.

The €1.1 billion of German "reconstruction assistance" would be provided over a period of 30 years and support development projects in seven of the country's

regions. The majority of the descendants of those who were killed in the war of annihilation live in these regions today. It makes sense to spend the money on rural development and infrastructure. In particular, it would be good to focus on issues of unfair land distribution and of land ownership which goes back to colonial times.

What is deeply problematic is that the amount pledged is a mere drop in the ocean. It is roughly what Germany has spent on development efforts in Namibia since the country became independent. The joint declaration stresses the intention “to heal the wounds of the past and create a lasting future partnership.”



Not every comparison is fair, but it makes sense to put the €1.1 billion in perspective. In 2021, Jens Spahn, then Germany’s health minister, spent 1 billion euros on coronavirus masks of dubious quality. After the Boxing Day tsunami in the Indian Ocean in 2004, German private donors and government agencies drummed up €1.1 billion in just six months’ time. Stuttgart’s new train station (S21) will cost an estimated €9 billion, and Berlin’s new airport came in at €7 billion.

Some German critics have pointed out that €1.1 billion support for Namibia is quite paltry. Ruprecht Polenz, the German government’s special envoy for addressing the colonial history in Namibia, asked them how much they would consider appropriate. This is another example of the colonial view still prevailing. After all, it is not Germans who should decide. If Germany wishes seriously to redress the situation, the question should be put to the people of Namibia.

So far, any top-ups to the planned funding have been categorically ruled

out. That will presumably also apply to the €50 million earmarked for “appropriate ways of memory and remembrance”, including “projects on reconciliation, remembrance, research and education”. By contrast, Berlin’s Holocaust memorial cost €28 million to build on land that is worth another €40 million. Running the Humboldt Forum in Berlin is expected to cost €60 million per year. It is the reconstruction of the historic City Palace, cost €700 million and now serves as a museum.

## POPULAR OPPOSITION

According to the draft declaration, Germany “apologises and bows before the descendants of the victims”, whereas the “Namibian Government and people accept Germany’s apology”. The aim is to “close the painful chapter (...) and mark a new dawn in the relationship”. Yet the people of Namibia were not even asked whether they would accept the apology.

While bilateral negotiations may foster – and even be necessary for – international understanding between different nations, they are no guarantee of understanding. Key representatives of the descendants of those who were directly affected by the genocide did not take part in the talks. Members of the diaspora which resulted from the forced expulsions in the early 20<sup>th</sup> century were not given consideration either.

Unsurprisingly, the declaration has sparked heated debates in the Namibian parliament. Opposition parties showed unprecedented unanimity in rejecting it. Even leading representatives of SWAPO (South-West Africa People’s Organisation), the governing party, saw scope for improvement – at least in financial terms. They included the deputy president and the prime minister.

The vehement opposition prompted the Namibian government to announce follow-up negotiations in late November 2021. Though Germany has categorically rejected any such talks, the coalition treaty of the new Federal Government does note: “Reconciliation with Namibia remains an indispensable duty that arises out of our historic and moral responsibility.”

In early 2022, Berlin signalled that the ball was now in Namibia’s court. Speaking about follow-up negotiations, a government spokesperson said of the declaration: “An of-

fer from the German side is on the table, and the Namibian side must now decide how to respond to this offer.” It is not clear whether this would allow further talks.

So far, the “reconciliation agreement” has not lived up to its name. Ovaherero and Nama representatives feel snubbed by their exclusion from the negotiations. They are demanding direct talks with the German government. Their stance does not make the situation any easier. Diplomatic conventions will hardly permit talks that do not involve the Namibian government. That, however, should not impede civil-society efforts to promote understanding and international relations in any way.

A collection of individual accounts given primarily by German politicians and cultural professionals, as well as by some of those directly affected (including of German descent) in Namibia, was published in March 2022. The German-language book (Melber and Platt, 2022) is an attempt to understand the different ways in which history is viewed in the present day and to show that the impacts of colonial crimes are not limited to the past. The introduction emphasises: “In future, it will not be a question of adding one more day of commemoration, but of re-examining our own narratives.” It is necessary to face up to, acknowledge and reduce the asymmetries that still result from the colonial view.

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“A reform of the UN Security Council is necessary, but hard to achieve.”

GLOBAL GOVERNANCE

## “Democratic states do not wage war on one another”

Russia's war of aggression in Ukraine proves that the multilateral system is too weak to safeguard peace. Anna-Katharina Hornidge, the director of the German Institute of Development and Sustainability (IDOS) – assessed matters in an interview with D+C/E+Z. According to her, we are witnessing a global conflict in which irrational aspirations are pitted against reasoned deliberation.

Anna-Katharina Hornidge interviewed by Hans Dembowski

Humanity is facing global challenges that nation states on their own cannot rise to. Three examples are the climate crisis, disease control and ensuring a peaceful rule-based order. Has the concept of national sovereignty therefore become obsolete?

No, it has not. Russia's brutal attack on Ukraine shows that we need a joint under-

standing of sacrosanct borders. Peace is a precondition for achieving each and every one of the Sustainable Development Goals (SDGs). They spell out a vision of the global common good that was adopted unanimously by all UN members.

However, the multilateral order is too weak to guarantee peace. When the aggressor is a permanent member of the UN Security Council (UNSC) and wields veto power, we see multilateral stalemate.

Yes, I think a reform of the UNSC is necessary, but hard to achieve. There probably should be no veto power at all. A good step in that direction is the decision that governments which use the veto right have to explain that step in the UN General Assembly. Moreover, it is important to make sure that the UNSC becomes more regionally representative. Africa and Latin America

currently do not have permanent members at all, and the G7 are overrepresented. This imbalance reflects the state of global politics at the end of World War II, when decolonisation was only just beginning in Asia and had not started in Africa. This imbalance thwarts the legitimacy of the UNSC.

**Even if the UNSC decided against Russia, sanctions would be hard to impose on a nuclear power.**

Well, it would be wise not to try to stop the war by military means, but economic sanctions are evidently feasible. In this wider sense, the war is affecting the whole world. Western economic sanctions are biting, while Russia is using hunger strategically. In this setting, a UNSC decision against Russia would actually be useful in the information war, which is being fought not only, but especially in the digital sphere.

**The implication is that sovereignty must go along with obligations today. It is no longer the same concept that helped to end the devastating Thirty Years War in Germany four centuries ago. The idea then was that whoever was the lord of a special area was free to do as he pleased – there was no she among them. Mustn't global interests override national interests today?**



**“The Russian leadership carelessly sacrifices the lives of thousands and thousands of its own young men”: destroyed Russian tanks.**

Putting a check on global problems is actually in every nation’s properly understood self-interest. If humanity does not rise to the multitude of global challenges we are facing, every single country will fare worse. Opting out leads to disaster, so we need more cooperation. Only a stronger multilateral system will help us negotiate shared solutions and implement policies in a coherent manner.

**Building such a system is obviously very difficult, but we cannot keep postponing action.**

Yes indeed, and that is why we see various international alliances or clubs arising. They are supposed to deal with specific problems. At this point, there is no alternative to forming such alliances, but policymakers must pay attention to design them in an inclusive manner and not letting them undermine the existing multilateral system.

**So what should policymakers do?**

They should keep the alliances open and welcome new partners, including private-sector initiatives, civil-society organisations and subnational institutions. Alliances, moreover, must not define solutions in small circles and then try to impose their decisions on the rest of the world. In this sense, climate-justice partnerships like the one that was formed with South Africa at the Glasgow climate summit last year are quite promising. The partnership is in line with multilateral decision making in the context of the UN Framework Convention on Climate Change (UNFCCC), but much more

specific than what global negotiations have spelt out so far.

**What are we going to do about reckless politicians and media propagandists who build careers on claiming that global forces are suppressing their nation? Right-wing populists in many countries thrive on pretending they are protecting the people against vicious international powers. They are a threat to democracy, which is why I think we do not show the whole picture when we say that the war in Ukraine is a war waged by despotism on democracy. The conflict is taking place within many countries, including EU members and the USA.**

Yes indeed. We were lucky that Emmanuel Macron was reelected in France and that Italy looks more stable than many expected. The situation in Hungary and Poland is difficult, to put it mildly, and recent developments in the Philippines, India and Brazil are worrying. It is important to point out that the conflict between despotism and democracy is not raging only in Ukraine. It is actually a conflict between narrow-minded egotism and the common good, or if you like, between ratio and irratio. Just consider Vladimir Putin’s claim that Ukraine does not really exist because of Russia’s historical roots in Kyiv many centuries ago. By that logic, the city of Rome could lay claim to half of Europe, North Africa and large parts of the Middle East.

**What about Putin’s claim that NATO expansion hurts legitimate Russian interests?**

Well, that claim only makes sense if one accepts that Russia is entitled to a sphere of influence which it controls and which, not coincidentally, largely coincides with the tsarist empire of the 19<sup>th</sup> century. NATO expansion was not the result of US imperialism. Because of their historical experiences with Russia, the acceding countries demanded to become members. We should bear in mind, moreover, that history shows that democratic states do not wage war on one another.

**But elected governments do sometimes start wars. In 2003, the USA and Britain, for example, led a “coalition of the willing” to invade Iraq and overthrow Saddam Hussein...**

This war was a big mistake and indeed illegal, and not only because there was no explicit UNSC mandate. But the war would have probably not happened had Iraq’s leader been accountable to Iraqis. An elected government would most likely have agreed to letting international inspectors look for weapons of mass destruction. It would have had to pay attention to what people think, and they do generally not want to die for a dictator’s military ambitions.

**So why do so many governments in low and middle income countries hesitate to take sides against Russia today?**

I think their ambivalence is more about not trusting western governments than having faith in Russia. There are many reasons. The western countries are – to a large part – the former colonial powers, and the Soviet Un-

ion supported liberation struggles in many places. Western countries' track record of promising things they later only hesitantly and incompletely deliver may matter even more. Just consider official development assistance, climate finance or vaccine supplies. Western governments tend to emphasise cooperative global governance when it suits them, but act in pursuit of national interests when they can. They also keep stressing human rights, but, when it comes to refugees, all too often disregard those rights. Russia's regime has a pattern of perpetual and blatant lies, but western governments' hypocrisy has destroyed trust too. In many people's eyes, it is equivalent.

**But Russia's disregard for human rights and welfare is glaring.**

Indeed, and it is not only evident in terms of Ukrainian suffering. Equally appalling is how the Russian leadership carelessly sacrifices the lives of thousands and thousands of its own young men. That is typical of undemocratic governance. Putin's nationalism has strong self-destructive tendencies.

**What can western governments do to build trust, not least with an eye to forging the global alliances we need to rise to global challenges – and eventually reform the UN system?**

First and foremost, they must keep their promises. Just one example: last year's G7 summit in Cornwall promised to make \$1 billion available for vaccine provision internationally, and by January only 30% had been disbursed. That was in the midst of a global pandemic, as we spelled out in a joint paper prepared by several think tanks recently (Kickbusch et al., 2022). If you don't live up to what you solemnly pledge, you can't expect others to trust you. This challenge is probably greater than many western policymakers realise. Their counterparts in developing countries know that their peoples are increasingly suffering climate impacts, and that the prosperous nations, which have contributed most to the problem, did not reduce carbon emissions as rigorously as they should have in the 30 years since the UNFCCC was agreed in Rio de Janeiro. Policy coherence is crucial for building trust. Western governments must act

convincingly in the global arena, and that includes policy implementation at home. They must accelerate their own transformation towards sustainability.

**LINK**

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## New name, clear mandate



IDOS (German Institute of Development and Sustainability) is the new name of the German Development Institute (DIE – Deutsches Institut für Entwicklungspolitik). The change was made on 23 June. The underlying idea is to emphasise the research institute's grown international influence as well as its increasingly explicit focus on issues of sustainability.

The acronym IDOS (pronounced eidos), has a long history in political philosophy. In Plato's writing, it denoted "idea". Aristotle used it in the sense of "form". Henceforth, the insti-

tute will neither have a German name nor a German acronym.

It was founded in 1964. The shareholders are Germany's Federal Government (75%) and the state of North Rhine-Westphalia (25%). The institute is based in Bonn.

Svenja Schulze, Germany's federal minister for economic cooperation and development (BMZ), said: "Good development cooperation must be undergirded and supported by academic research, something the German Institute of Development and Sustainability has been engaged

in for many years. In the current global environment especially, we need the expertise of the Institute in order to find long-term solutions to the challenges of our times."

Isabel Pfeiffer-Poensgen, minister of culture and science of the state of North Rhine-Westphalia, pointed out: "IDOS is one of the world's leading think tanks and research institutions examining issues of global development and sustainability policy. Its new name now emphasises its expertise even more clearly."

IDOS research is geared to answering question of great global relevance and urgency, including:

- how to redesign economic and social systems in ways that stabilise the climate,
- how to provide global governance for indispensable global commons such as bio-

diversity, the climate and the seas,

- how to reform institutions and redefine policies in Germany, Europe and internationally to facilitate better and more effective cooperation, and
- how to promote trans-regional cooperation platforms for shaping a sustainable and peaceful future grounded in democratic values.

IDOS Director Anna-Katharina Hornidge says: "Changing our name from the German Development Institute / Deutsches Institut für Entwicklungspolitik to the German Institute of Development and Sustainability emphasises that development and sustainability go hand in hand, require a transregionally networked research approach and are the responsibility of all policy fields."

IDOS/D+C



## INSURANCE

# Managing climate risks

**Too many people are not insured against climate risks, and that is especially so in low income countries. For things to change fast, the business environment must improve.**

**By Renate Bleich, Dirk Reinhard and Christian Barthelt**

It is estimated that weather disasters claimed more than 1 million people's lives in the years 2000 to 2018. In the same period, the financial damages amounted to \$4.21 trillion (Aon 2018). Since the turn of the millennium, the harm done by natural disasters and dangerous weather has increased substantially. Since 1980, however, a mere 30% of the damages have been insured.

The lack of insurance coverage is particularly evident in developing countries and emerging markets. On the one hand, they are especially exposed to the impacts of global warming, both in regard to the frequency and intensity of extreme weather. On the other hand, many people simply do not buy insurance coverage so far.

Since 1980, less than five percent of weather damages have been insured in Asia, excluding Japan. The UN Development Programme (UNDP) estimates that only about three percent of disaster damages were covered by insurances in the 77 poorest countries. The implication is that the countries and people concerned must bear the costs of relief and reconstruction themselves, unless they can rely on international aid.

Comprehensive risk management is needed. Apart from adaptation to climate change and better disaster preparedness, climate-risk insurance must become an important component of such management.

## REGIONAL, NATIONAL, INTERNATIONAL

There are different kinds of climate-risk insurance, starting with micro-insurance policies for individual persons. However, regional, national and international schemes exist too. Disbursements can be triggered in different ways:

- Indemnity-based insurance covers losses that actually have occurred.
- Index-based insurance covers expected damages that are believed to be likely to coincide with specific weather data. If the wind exceeds a certain strength, for example, or if there is no rain in a predefined time period, the insurance company disburses a certain amount of money.

Climate-risk insurances have been attracting considerable attention in recent years. There are many meaningful examples (see box next page). Nonetheless, many obstacles still prevent insurance coverage from becoming the default situation in low-income countries. Many of them are not climate risk specific, but generally apply to the insurance business in markets that are marked by low purchasing power (Reinhard 2019).

## CONSIDERABLE OBSTACLES

A core challenge is that conventional insurance corporations, for cost reasons, typi-

cally do not show much interest in reaching out to the lowest income groups. The lower premiums and disbursements are, the more relevant transaction costs become. Moreover, both distribution and client-account management tend to be very difficult, and that is especially the case in rural areas, where power supply and intranet access are often unreliable, if they are available at all.

Infrastructure problems of this kind make it hard to assess damages fast after extreme-weather events, and disbursing money is difficult too. The issue is not quite as relevant for index-based insurances, but they have downsides too. For example, the index often only roughly coincides with actual damages, so the people concerned sometimes do not get an adequate insurance payment, or maybe even none at all.

It also matters that insurance companies must make substantial investments if they want to offer clients good solutions. Considerable market research is needed. The companies must develop a deep understanding of how people live and what their financial situation is like. Crucial issues include:

- How are the most important risks currently being managed?
- What additional service can an insurance company provide?



**Insurances help to control financial damages: devastation caused by Typhoon Ray in the Philippines in late 2021.**

Finally, the companies need clients who understand how insurance works. That cannot be taken for granted, especially when someone signs an insurance contract for the first time.

Governments that are interested in climate-risk management could similarly benefit from improved insurance literacy. Bureaucrats' understanding of the advantages and disadvantages are not always up-to-date. In the lack of important information, approaches to risk management sometimes remain suboptimal. Insurance companies can contribute to raising more awareness by providing data and models.

Yet another challenge is that insurance companies require reliable statistics – regarding both weather and damages – in order to accurately assess what risks they are covering. Statistics, however, tend to be poor in low-income countries. Adding to the problems, the climate crisis is escalating fast, so weather-induced harm has become worse than in the past – and it is occurring more frequently.

For all these reasons, climate-risk insurances are quite expensive. Oftentimes, they require subsidies. That applies to the

countries concerned as well as the low-income groups who live there.

### DIGITISATION HELPS

Digitisation offers considerable opportunities, however, and the Covid-19 pandemic has accelerated the trend. Mobile phones and mobile-payment systems have been spreading fast even in rural areas of developing countries. As a result, data has become more easily available, the flow of information has become faster, and the costs of the insurance business have gone down. It would make sense to reform regulations in ways to support innovation.

According to the Intergovernmental Panel on Climate Change, 3.3 billion to 3.6 billion people are vulnerable to global warming. In view of the serious impacts of the climate crisis, insurance coverage must improve fast. Governments, the insurance industry and international institutions should cooperate better to make that happen. If they join forces, they can make insurances a core component of adaptation strategies.

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## Promising examples

Climate-risk insurances have been attracting increasing attention in recent years. They contribute in meaningful ways to cover vulnerable communities. However, far too many people remain uninsured even.

There are many promising examples. One of the largest is the InsuResilience Global Partnership, which was launched in 2017 by the G20 in cooperation with the V20 (Vulnerable Twenty – a group of particularly climate vulnerable countries). The partnership is designed to develop suitable insurance solutions for covering the climate and disaster risks of the most vulnerable people. In

terms of better access to insurances, more than 150 million people in developing countries and emerging markets benefited in 2021, and more than 60 million of them obtained micro insurances. The goal is to cover another 500 million people by 2025.

The Insurance and Risk Finance Facility (IRFF) will help to make it happen. It was recently launched by the UN Development Programme (UNDP) with an eye to boosting insurance and risk finance in 50 developing countries and emerging markets. Germany's Federal Government has contributed €35 million to the IRFF.

The private sector is engaged too. The Insurance Development Forum (IDF) is an industry-led public-private partnership. The IDF uses insurances and other risk-management tools to make vulnerable people and countries more resilient to the climate crisis and disasters in general.

Four other meaningful projects are:

- India's Pradhan Mantri Fasal Bima Yojana (PMFBY), the world's most extensive agricultural insurance system at the nation-state level. It is subsidised and currently serves 25 million farmers, most of whom are smallholders.
- The Caribbean Catastrophe Risk Insurance Facility (CCRIF). It is a multi-country risk pool, which offers insur-

ances for the damage done by hurricanes, heavy rainfall and earthquakes. Nineteen Caribbean and three Central American governments are members.

- The African Risk Capacity (ARC). It was established in 2012 and supports 35 member countries to prepare for extreme weather events as well as epidemics. It is involved in early warning systems, insurance schemes and contingency planning, especially for droughts.
- The R4 Rural Resilience Initiative, which the World Food Programme and Oxfam America launched in 2011 to improve food security and income in rural areas. In 2021, it had an outreach to 395,000 households in 14 countries in Africa, Asia, Latin America and the Pacific Ocean. RB, DR, CB



## SECONDHAND CLOTHES

# The benefits outweigh the costs

**The export of secondhand clothing from western industrialised countries to Africa has been criticised. Some have claimed that the practice is destroying Africa's domestic industry. The reality is more complicated, however.**

By Thomas Ahlmann

Used textiles have long been traded on the global market. The volume of discarded clothing from industrialised countries is growing, as is the demand for secondhand textiles, particularly in countries of the global south. Purchasers of secondhand clothing are primarily low-income people. However, fashion-conscious buyers also appreciate the selection and quality that is available on the secondhand market.

Several years ago, FairWertung conducted a dialogue programme in several African countries, with a focus on Tanzania and Cameroon, that demonstrated that disadvantaged people benefit from secondhand clothing. The umbrella organisation FairWertung is a nationwide consortium of charitable associations that collect used textiles. Over the course of the programme,

when people were asked in interviews what they thought about secondhand clothing, they repeatedly answered that “it’s good for the poor people”.

Additionally, there are also younger shoppers in particular who want to introduce variety into their wardrobes without buying something new. Fashion considerations and brands are also playing an increasing role in consumers’ decisions.

One of the largest objections to the export of used clothing from industrialised countries to Africa is that the practice harms Africa’s domestic textile industry. However, it is incorrect to assume that prior to the commercial import of used clothing, there was a domestic clothing industry and an affordable, broad range of textiles available in most African countries.

## HISTORICAL DISRUPTION

Until the early 1980s, locally produced clothing could in fact be found in at least some African countries, thanks to state subsidies. Many governments supported the entire textile production chain and also closed off domestic markets from all im-

ports. This system was disrupted in the mid-1980s, however: as part of debt restructuring programmes carried out under the direction of the International Monetary Fund, many states had to do away with all subsidies and give up import restrictions. Local industries were therefore exposed to competition from the global market. At the same time, uncertain business conditions, like a lack of spare parts and frequent power outages, stood in the way of a functioning, steady production.

During these crisis years, very little clothing was available for purchase in many areas. Mitumba – the standard East-African term for secondhand clothing – provided a remedy and also helped improve the supply of textiles to rural areas. In subsequent years, the remaining textile and clothing operations largely specialised in niche markets and are enjoying increasing success.

Nowadays, both secondhand textiles as well as new products can be found on African markets. Most of the new clothing is produced in Asia, however. It is sometimes sold for lower prices than secondhand clothes. Nevertheless, many people still buy used clothing because it is often of higher quality than the Chinese textiles. The latter quickly show wear after hand washing and have a high proportion of synthetic fibres.

While there are clothing factories in some African countries, the vast majority do not create products for local people, but rather for markets in the US and Europe. Often the sewers who work in the factories dress themselves on the secondhand market.

The assumption that, without the import of secondhand clothing, many places would have a competitive local clothing industry and, at the same time, a selection of clothes that are affordable for all, is largely unrealistic under the current circumstances. Instead, the people’s limited purchasing power determines the selection and Asian production the market for new goods. The secondhand trade meets this demand and also generates income for many thousands of people.

## ECOLOGICAL IMPACTS

In recent months, images of discarded textiles in landfills in Africa have shined a spotlight on the ecological dimension of the trade in secondhand clothes. From an environmental standpoint, secondhand



Secondhand clothes dealer in Nairobi, Kenya.

clothing is fundamentally advantageous: longer wear conserves the raw materials and chemicals used in the production of new clothes. However, it is also true that most African countries lack a functioning waste disposal system, meaning that textiles that have reached the end of their service life often end up in open or wild landfills.

Textile collections in western industrialised countries receive both well-preserved clothing as well as a significant amount of recycling content and waste (see box below). In order to minimise the impact on the environment, only those textiles should be exported from the EU that are wearable and for which there is a demand. Recycling content and waste, on the other hand, should be salvaged, whenever possible, in the place where they are generated. If such content is indeed exported to states outside the EU,

companies should be able to fully document that it will be treated and salvaged into something of equal or greater value.

In this situation, it is essential that the declaration of goods made during export is correct. FairWertung therefore works with selected partners who voluntarily submit to an audit procedure. Regular audits are also conducted to make sure that the correct declaration has been made. In this way, FairWertung's charitable collectors ensure that clothing donations are handled responsibly during the rest of the recycling process. Consumers who want to support charitable collections in a targeted way can look for the FairWertung symbol when disposing of old clothing.

The medium and long-term goal must be to implement a true circular economy. That means first and foremost that com-

panies must produce textiles in such a way that, at the end of their service life, they can serve as raw materials for new products. We in Europe already possess the expertise and the necessary capital to create a more sustainable textile industry; above all, however, we bear the primary responsibility.

**LINK**

**Donation sites of organisations that have been certified by FairWertung:**

<https://www.altkleiderspenden.de>



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## Used clothing collection in Germany

Every year in Germany, about a million tonnes of used clothing is donated to clothing drives – over 2 billion individual textiles. That amount vastly exceeds the demand for social purposes within the country, which is why a significant share is exported. The quantity collected has risen by more than 25% since the mid-1990s.

The increase is primarily attributable to changes in consumption habits: since new textiles are being sold at lower and lower prices, more textiles are being purchased overall. Furthermore, clothing is being discarded more and more quickly because fashions are changing faster.

Many people bring their surplus textiles directly to clothing stores and second-hand shops. These shops give well-preserved items to those in need at no cost or sell them

at affordable prices. However, the overwhelming majority of consumers throw their used clothing into containers or donate it during street and door-to-door clothing drives. The items collected are processed by charitable or non-profit organisations, as well as by other actors such as municipalities or commercial collectors. Additionally, some textile manufacturers and merchants have established their own take-back systems for used clothing.

The collected clothing is sorted by hand. According to data collected by the umbrella organisation FairWertung, on average, only about 55% of what is generated during a clothing drive is suitable for secondhand use (see graphic). Two to four percent is made up of particularly high-quality textiles, so-called “cream”

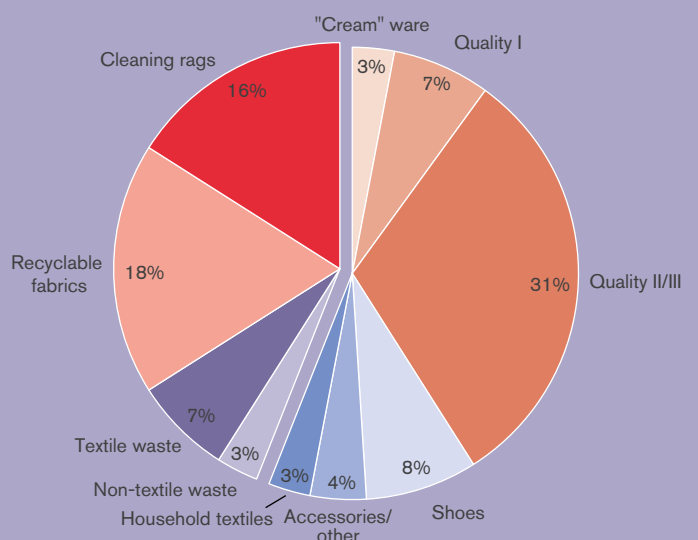
goods. Sorting facilities sell them to secondhand shops in Germany and other western European countries. Textiles that are categorised as quality I, II and III go to Eastern Europe, Africa and the Middle East.

In total, almost half of a clothing drive consists of

low-quality textiles that are no longer suitable for second-hand use. Absorbent textiles can be used as cleaning rags by industry. Another 17 to 19% of the collected goods can be recycled to manufacture other materials, like roofing fabric or coverings for the automotive industry. TA

### Contents of used clothing containers

Averages as counted in German sorting facility (rounded shares)







**Older people have a right to a dignified life: a woman in Sogamoso, Colombia.**

to address the impact of global ageing from a socio-political perspective while considering the needs of older people. Governments and NGOs from the global North were asked to cooperate with partners in the global South.

At the same time, according to Wasiek, gerontology – the study of old age and ageing – gained in importance and influenced the practice of work with senior citizens. The focus was no longer on simply caring for older people. Instead, social gerontology is much more oriented towards human rights and strives to develop the potential of older people to organise and care for themselves. In short, the goal became to improve the quality of life of older people through, among other things:

- the creation of social services,
- meaningful tasks and free time activities for older people (like sports, gardening and senior trips),
- network building among older people,
- strengthening their political influence,
- multi-generational work, in order to raise everyone's awareness of each other,
- working towards a more positive image of ageing in society,
- exchanges of information and expertise, as well as qualification measures for employees in gerontological fields.

Some progress has been made since social work with senior citizens began, but there is still a lot to do. The book appeals above all to responsible parties in development policy to take into account the consequences of demographic change in their projects and therefore help to fight poverty among older people in developing countries.

#### BOOK

**Wasiek, C., 2021: Seniorenhilfe weltweit. Erfahrungen aus Lateinamerika** ("Helping the elderly worldwide. Experiences from Latin America"). Herder, Freiburg.  
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#### DEMOGRAPHIC CHANGE

## Ageing with dignity

**A demographic change is taking place not only in the global North, but also in many countries of the global South. An ageing population presents societies with significant challenges.**

By **Dagmar Wolf**

Demographic ageing is a decisive characteristic of the 21<sup>st</sup> century, says Christel Wasiek, author of the book "Seniorenhilfe weltweit" ("Senior aid worldwide"), quoting the UN. The reason, according to the author, is improved living conditions worldwide which are allowing people to live longer. However, she continues, the respective socio-cultural, economic and political conditions under which people age vary greatly in countries around the world.

In her book, published in 2021, Wasiek reports from her 50 years of experience working with older people in Latin America and the Caribbean. In 2008, the author established the foundation "Seniorenhilfe weltweit" to promote older people's welfare.

In countries like Uruguay, Chile or Brazil, people over 60 make up over 16% of the population, on average, while in Cuba they make up over 20%. The life expectancy is an average of 77.5 years, though women live to be over 80 on average. The majority

of these people do not have adequate social security. The quality of life is generally poor, especially for rural, indigenous and African American people, Wasiek writes.

For a long time, older people only appeared at the margins of development policy as a target group. The assumption was made that families would care for older people in the countries of the global South. The topic was finally put on the international agenda in the 1980s thanks to the International Federation on Ageing, a civil-society organisation made up of representatives of governments, non-governmental organisations, universities, industry and individuals from almost 80 countries.

The number of older people has been growing around the world for years, but developing countries in particular were and still are not prepared to address the consequences of this demographic change from a socio-political standpoint, Wasiek writes. However, there have been a variety of conferences that have strongly emphasised the difficult economic and social situation of older people in the countries of the global South, including the two UN World Assemblies on Ageing, one of which took place in Vienna in 1982 and the other in Madrid in 2002.

At those conferences, both governments as well as civil society were called on

## Nigerian heatwave

Extreme weather conditions in Nigeria are forcing locals to pay attention to the climate crisis. The country has experienced a heatwave that has endangered the health and affected the lives of many people. The Nigerian Meteorological Agency (NiMET) warned Nigerians about the impending crisis in its April 2022 climate and health bulletin. In April, the maximum temperatures were in the range of 37 to 43 °C.

NiMET warned that conditions of high heat could result in heat-related illnesses such as increased respiration rate, heat stroke, fatigue, loss of concentration and dehydration. It also warned of incidences of meningitis and malaria escalating. Medical experts pointed out that high temperatures could worsen the spread and fatality of infectious diseases such as Lassa fever, yellow fever, measles, chicken pox, monkey pox, cholera and Covid-19.

Wole Kukoyi, the chief medical director of the Ace Medicare Clinic in Ota, says that prevailing extreme weather conditions could also lead to more dire consequences, such as kidney failure, stroke, excessive bleeding and, in albinos, skin cancer.

The situation is made even worse by Nigeria's unreliable power supply. Power outages and load shedding are common in Nigeria. As a result, many Nigerians cannot use air-conditioning. Moreover, rising prices for petroleum products make it more expensive to run

small private generators during power cuts.

The ongoing heatwave affects daily businesses moreover. Comfort Ayila, a hairdresser in Ikeja (Lagos State), says the heat makes people stay away.

"I've never seen heat like this before. It's from morning till night and you will be sweating. Everybody has been praying for rainfall, even if it's for one hour! Let water touch the ground. But even if it rains, the next minute heat takes over," she laments.

Lifestyles are being adapted to the extreme heat. Ayila says customers are opting for different hairstyles: "Everybody complains that heat is too much, so people prefer short hair. No one wants to carry long hair and it's those hairstyles that we make money from."

James Oyesola, president of UNEP's Ecosystem Based Adaptation for Food Security Assembly (EBAFOSA) links the recent spurt of high temperatures to higher emissions of greenhouse gases. He predicts that high temperatures will affect farm yields. He adds: "Inadequate land use and development control, poor drainage and solid-waste management infrastructure are compounding the impacts of climate change in Lagos state."

For now, experts can only offer advice to Nigerians to withstand prevailing weather conditions. The situation however proves the reality of climate change.



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Farmer hit by drought in Mali.

## MULTIPLE CRISIS

## West Africa's joint climate strategy

Recurrent droughts, erratic rainfall and the rising sea level are affecting West Africa. In response to the climate crisis, the regional bloc ECOWAS plans spending close to €280 billion in the next decade.

By Karim Okanla

In April, the Economic Community of West African States (ECOWAS) adopted a joint strategy to tackle climate change. Domains like land erosion, preservation of forests' carbon stocks and coordinated food storage will get additional attention and funding. After a year-long decision-making process, the national leaders of the 15-member alliance approved the blueprint during a two-day meeting in Accra, the Ghanaian capital.

Individual member states have been pursuing separate programmes to tackle climate issues. Countries like Senegal and Ghana run several globally-backed projects to combat the harsh impacts of climate change. Other countries too are forced to take special measures to protect their coastlines. Nonetheless, the new strategy is a significant step that takes regional cooperation to the next stage.

The strategy is taking a multi-pronged approach. Local institutions, civil-society

groups and government agencies in member nations are expected to join in coordination and implementation. The document contains separate objectives for sectors like transport, agriculture, energy, land use, water and health. With support from the EU and other international donors, the new regional policy commits ECOWAS to spending €278 billion in the next decade. The EU and its members are expected to contribute most of this money. The strategy is in line with the Paris Agreement on Climate Change. However, it is not clear to what extent EU governments are committed to the ECOWAS strategy and what funding they will actually provide.

"Climate change transcends borders," said Sékou Sangaré, the ECOWAS commissioner for agriculture, environment and water resources. According to him, all member countries feel increasingly extreme weather conditions. Impacts include floods, heat waves and coastal erosion. "We must assess and respond," the commissioner added.

"Nowhere is there more light, warmth and moisture than in West Africa," wrote renowned British environmentalist David Attenborough three decades ago in his book "The living planet". Sadly, things are deteriorating. The African continent disproportionately bears the brunt of global warming.

While ECOWAS countries are responsible for less than two percent of greenhouse-gas emissions globally, their temperature rise is 1.5 times higher than the global average. The politically unstable region houses nine of the 30 countries most susceptible to harmful climate impacts.

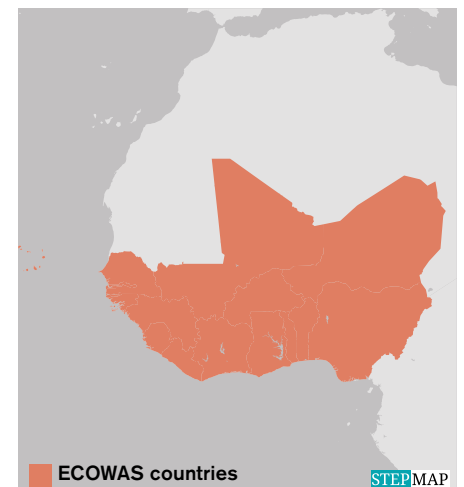
Inhabitants in several coastal regions and islanders complain of invasive sea waves and eroding land. Erratic rainfall and extended periods of the scorching sun mean severe disruption to agricultural activities. All parts of the Sahel region on the southern side of the Sahara desert are recurrently suffering drought, and water resources are being depleted. According to World Bank estimates, over 32 million people could be forced to relocate from their homes by 2050 throughout West Africa.

For an increasing number of communities, food security can no longer be taken for granted. The region's multiple crises are leading to political instability, civil strife and fragile statehood. Higher grain prices on the world market due to Russia's attack on Ukraine are compounding problems.

West Africa is home to about 400 million people. The population is expected to grow to about one billion in 2050. Experts argue that immediate action is needed to make sure things do not deteriorate further. Tackling climate challenges is the right way to start.



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**Flooded homes in Louisiana after Hurricane Ida.**

crease in flood risk across the USA. Black communities along the southern coasts of the Atlantic and Gulf of Mexico are exposed most. Wealth disparity and segregation matter very much. Poor and marginalised neighbourhoods have less adaptive infrastructure, are more likely to be located in unsafe places and generally get less government funding.

The federal budgeting office expects extreme weather to cost the US an annual \$120 billion for coastal disaster relief, flood insurance, crop insurance, health-care insurance and wildfire suppression. To keep costs from rising, all government agencies should prioritise climate mitigation and adaptation. It is a matter of self-interest. At the same time, the USA bears global responsibility given its outsized contribution to humanity's greenhouse-gas emissions.

Depressingly, federal-level action at the scale required seems unlikely to happen anytime soon. President Joe Biden's sensible policy proposals are stuck in the Senate (see my essay in the Focus section of D+C Digital Monthly 2022/02). Biden wants \$44.9 billion in federal climate funding next year, but that would not be enough. State and local governments must act too.

Reactionary policymakers and their allies in conservative media want everyone to believe the disasters are nothing special. To some extent, they are successfully making them appear to be normal.

Public opinion surveys conducted by scholars from Yale University show that not even two thirds of Americans say that global warming is affecting the weather. Indeed, people who are especially exposed to extreme-weather events in the Southeast states are less likely to talk about global warming than the rest of the country. Part of the problem is that we still call extreme-weather events "natural disasters", even though they are actually caused by our unsustainable habits, and that is why environmentalists, for quite some time, have been demanding a change of wording.



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#### EXTREME WEATHER

## Normalising disasters

**The USA is increasingly hit by weather-related disasters. Wildfires, heatwaves, hurricanes and floods are becoming more frequent, more dangerous and more costly. So far, this trend has not led to more resilience-oriented legislation. It would be good to stop speaking of "natural" disasters when it is human-made climate change that is causing serious damages.**

By Katie Cashman

This year's wildfire season started early. Normally, the American West and Southwest have blazes from May on, but in April 2022, about 200 homes were lost to wildfires in New Mexico. Last year's wildfire season had ended late, with flames destroying homes in the Denver-Boulder area of Colorado in late December. Only three winter months were conflagration-free.

In 2021, over 8000 fires burnt millions of acres. The background is that most of the American West is experiencing a long lasting drought, which makes wildfires more likely. The impacts also include crop failure and ecosystem collapse. Cities in California and Arizona are grappling with the ways

to conserve dwindling water supplies. The normally cool Pacific Northwest, moreover, was hit by an unprecedented heatwave with temperatures rising to almost 50 degrees Celsius, which is considered hot even in Pakistan. In Canada and the USA, an estimated 1400 more people died than would normally have happened.

Even though western states are hit hardest by wildfires, the impacts are felt from coast to coast. The whole North-American continent can expect another summer of apocalyptic hazy skies and toxic air pollution from the smoke.

In 2021, 47 global disasters cost more than \$1 billion each. Almost half of them affected the USA, even though this country is not especially climate vulnerable. Hurricane Ida hit Louisiana in August. It was the world's most expensive natural disaster in 2021, costing \$65 billion in recovery. It claimed more than 100 lives in the USA and Venezuela. This year's hurricane season is again expected to be "above average".

Floods are getting worse too. Not all are caused by hurricanes, which tend to bring more rain than they did in the past. New flood-risk mapping shows a 26% in-

## GEOPOLITICS

# Strategically relevant grain

**The world-market prices for grain are increasing because of the Ukraine war. Russia has stopped its exports, and its navy is blocking the Black Sea, so exports from Ukraine have become impossible too. Unfortunately, it does not look as though negotiations in Istanbul will soon change matters.**

By Jane Escher

Even before the war, food security was precarious for millions of people, but now food price inflation is making things more difficult. The World Food Programme (WFP) sees an additional 345 million people in 82 countries at severe risk of hunger.

The war is not the only reason. The Covid-19 pandemic has had negative impacts on agricultural production and supply chains. The climate crisis matters too. Harvests are increasingly failing because of extreme weather.

Worried about satisfying their own nation's demand, moreover, some governments have discontinued grain exports. As a result, global prices keep rising, adding to the problems in countries that depend on imports.

More than 20 million tonnes of grain are currently being stored in Ukraine and not available to international buyers. Ukrainian farmers lack storage capacity for the

next harvest. Moreover, Russian attacks are making farm work difficult or impossible in Ukraine. All of this will reduce international cereals supply in the not so distant future.

Compounding problems, fertiliser has become more expensive around the world. Much of it is produced in Russia. Agriculture is affected in many developing countries and emerging markets. Higher fuel prices have similar detrimental impacts.

Access to 20 million tonnes of grain from Ukraine would reduce – though not end – the current stress on the world market. Turkey is hosting negotiations in Istanbul and acting as a mediator with an eye to ending the blockade of the Black Sea. Both warring parties are involved, and so is the UN. Success would be a good omen for international cooperation.

Unfortunately, success does not look likely for both political and practical reasons. There are some proposals, such as the British navy accompanying merchant vessels through the Black Sea or the Turkish navy checking those ships for weapons. So far, however, such ideas have been rejected either by Ukraine or Russia. Moreover, Moscow wants Ukraine to demine its ports, but Kiev refuses to do so. That would make attacks by Russian warships easier. For good reason, the Ukrainian government does not trust the Russian regime. After all, Russia

has broken international law by invading Ukraine.

Demining, moreover, would take too long for quick relief. It also matters that private companies, not governments, ship commodities. These companies would have to run the risk of operating in a war zone. Their insurance premiums would rise, further adding to the costs.

To some extent, the underlying problem is logistics. There is no realistic alternative to maritime transportation. Theoretically, land routes can be considered, for example via Poland. Existing infrastructure, however, is insufficient for transporting such large volumes of grain by train and truck. Moreover, customs issues would arise at borders. Grain exports from Ukraine would thus take longer and become more expensive.

It probably matters even more that Moscow may not really be interested in a negotiated agreement. The regime of Vladimir Putin is exploiting the narrative of European adventurism causing global shortages and inflation. According to Moscow's propaganda, NATO and the EU are to blame for increasingly desperate need. It is doing its best to deflect attention from three basic facts:

- Russia, previously a major grain exporter itself, has stopped supplying this commodity to the world market.
- It is preventing Ukrainian exports.
- And it is benefiting from higher energy prices.

It is true, however, that western sanctions have contributed to the increase of fertiliser prices.

Western governments cannot prevent Russia from using hunger in ways that destabilise international relations, but they must respond competently. They should do whatever they can to get a grip on the food-security crisis. Dennis J. Snower of the Kiel Institute for the World Economy has a point when he praises the G7 summit in Bavaria for unambiguously siding with Ukraine, but also admonishes the leading western powers to pay close attention to famines and food security internationally.



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**Storage facility in  
Odessa in June  
2022.**



Scrap trader in Islamabad.



FOCUS

## Informal sector

“Like income poverty, time poverty is indeed gendered. Women suffer more.” **SUNDUS SALEEMI, P. 19**

“The pay gap between the formal and informal sectors is considerable.” **OLIVER SCHMIDT, P. 21**

“It matters very much that most Africans do not have any kind of health insurance.” **BEN EZEAMALU, P. 23**

“Some 98% of the rural community in Okere are small-scale subsistence farmers.” **RONALD SSEGUJJA SSEKANDI, P. 25**

“Global heating is making largely informal subsistence agriculture in Niger gradually unviable.” **PAOLO CERNUSCHI, P. 26**

“Large numbers of people work in the informal sector for lack of alternatives.” **IRIT ITTNER, P. 28**

“Many garbage scavengers are refugees from neighbouring Afghanistan.” **IMRAN MUKHTAR, P. 30**

“Social capital and culture matter very much, especially when we deal with informal activities.” **IWAN J. AZIS, P. 32**



Rural women in Kenya: fetching water can take a long time, and it may not be safe for drinking.

GENDER RELATIONS

## Time poverty

**A famous slogan of the labour movement in 19<sup>th</sup> century Europe was: “Eight hours labour, eight hours recreation and eight hours rest.” It spelled out the basic human desire to balance work and non-work activities. In today’s world, men are closer to achieving a good balance than women.**

**By Sundus Saleemi**

People strive to satisfy various physical and psychological needs. Food, shelter and clothing are fundamental requirements, and so are rest, leisure and participation in social life. Entertainment and hobbies are important too. A good life requires an adequate balance between time spent in work and non-work activities.

Today, the eight-hour workday is considered to be normal for formally employed people, not only, but especially in high-income countries. Typically, they earn enough money to make ends meet. Things look different for those working in irregular employment or the informal sector. If working eight hours for five days per week does not suffice to fulfil their basic physical needs, they will have to work

more and suffer what is called “time poverty”.

Time poverty in this sense must not be confused with opting to work hard to advance in a promising career. Achieving a position of leadership or substantial wealth may be desirable, but it is, by definition, not a basic need. Quite obviously, there can be enough food for everyone, but not everyone can be a team leader.

Time poverty is closely related to income poverty. Informal businesses, small-holder farms and subsistence agriculture are marked by both. Given that productivity is low, incomes tend to be very low too. Vacations and holidays are exceptions, not the norm. Labour legislation does not apply – or is not enforced.

### CHILDREN ARE AFFECTED TOO

It matters, of course, that many children do considerable work on family farms and family businesses. They too suffer time poverty – often with harsh impacts on their school careers. For reasons that will be spelled out below, girls are affected in particular. Education, however, is crucial for building

skills and self-confidence. Graduating from school is thus indispensable for female empowerment.

Like income poverty, time poverty is indeed gendered. Women suffer more and are more likely than men to experience it. An important reason is that traditional gender roles assign a disproportionate burden of domestic work to women. As work in the informal sector, it is not formally regulated and it is considered to be a personal affair of little public relevance.

Common terms for this work are “re-productive labour”, “home production” or “unpaid care and domestic work” (UCDW). The activities include:

- procuring and preparing food,
- taking care of children as well as elderly and ill relatives,
- cleaning the home and washing clothes and
- in poor households of developing countries and emerging markets, fetching water and firewood.

Recent research (Charmes, 2019) showed that, around the world, over two-thirds of the unpaid care work is done by women. In many countries, especially in the global south, the share is considerably higher. The same study indicated that the more the hours a woman spends doing unpaid care work, the less time she has for earning money. Poor infrastructure makes matters worse, for instance when a household is not connected to water pipes. The



farther a woman must go to fetch water, the more time constrained she becomes. If her home lacks electric power and she cannot rely on gas cannisters either, she will need additional time to collect fuelwood. To live in an informal settlement, therefore, means more time poverty, especially for women.

There are important economic and development implications. Having to spend long hours on low-productivity tasks reduces a person's overall productivity. If it takes a woman an hour to fetch water, for example, she has an hour less for engaging in income generating work. Both in rural areas and unplanned urban settlements, that work will most likely be in a labour-intensive informal business with low remuneration.

To some degree, growing prosperity allows households to purchase vacuum cleaners, washing machines, dish washers and other labour-reducing machines. Technologies of this kind have helped women in the prosperous nations to participate in paid formal work.

However, there are rebound effects too. The availability of helpful tools has raised expectations. For example, people change into clean clothes more often than they did before the advent of the washing machine. Rebound effects, of course, mean more household work.

### EXPLOITED MAIDS

In developing countries, by contrast, prosperous households tend to rely more on paid domestic helpers than household machinery. The women concerned typically do not have formal employment contracts, but they are expected to work very long hours. It is not uncommon for them to be expected to prepare breakfast in the morning and not leave before they have cleaned the dinner dishes. Some underage girls do this kind of time-consuming work too.

The incomes of domestic servants are low and they have very little personal autonomy. They are typically uneducated, and some have migrated from rural areas to urban ones, or even gone abroad. Many of the women concerned are not in touch with their families and lack any kind of protection. Sexual abuse happens all too often. During the Covid-19 pandemic, however, many suddenly lost their jobs and fell into desperate financial poverty.



Even in Germany, illegal immigrants in undocumented employment clean many households.

To a certain degree, this kind of informal work is actually quite common in high-income countries. In Germany for example, even middle-class households often hire undocumented immigrants from Eastern Europe, for example, to do the cleaning. The women concerned normally do not have a written contract, do not get paid vacations as most employees do and do not benefit from Germany's various social-protection schemes. Many of them live in constant fear of being found out, so they do not dare to go to the police even when people cheat or otherwise abuse them.

Time poverty is not only a matter of inadequate rest and relaxation. It affects families' lives. Time-constrained women in developing countries often depend on the support of their children, especially the daughters, to fulfil their household chores. Adolescent girls are then expected to look after younger siblings. Masses of them drop out of school before graduating.

Boys and girls may similarly be tasked with the collection of water and fuelwood. That too affects the time they have for attending school and doing schoolwork.

In a more fundamental sense, children's welfare and development depend on the attention they get from their parents. Due to traditional gender roles, mothers are expected to rise to these responsibilities. Women experiencing time poverty may be unable to prepare healthy, nutritious and diverse diets for their children. Financial poverty, of course, exacerbates the problem. Obviously, hygiene and especially the sanitation situation matter too. If women are unable to maintain an adequate standard, chil-

dren may suffer from repeated incidences of diarrhoea, worms or other diseases that affect their nutrition and physical and cognitive development.

There is a dearth of robust empirical research quantifying the potential impacts of women's time constraints on their children's prospects. There are many reasons behind the scarcity of empirical evidence. A core problem is that unregulated and unregistered activities in general remain undocumented almost by definition. Even prosperous nations with highly-developed statistical systems have no trustworthy data on how many illegal immigrants do how much domestic work for what meagre pay in private households.

It is a fallacy to believe that there is no serious problem simply because the problem does not show up in statistics. There is a case for doing more research as well as for investing in technologies and services that reduce women's time burdens in developing countries and emerging markets. Prudent regulation and law enforcement would help too – not least in terms of changing deeply entrenched attitudes regarding gender roles.

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Street stall in South Sudan.

## ECONOMY

# Funding and skills training

**In developing and emerging economies, governments are at pains to get enterprises to switch from the informal to the formal sector. In this context, donor agencies can have both a positive and a negative influence. That is evident in sub-Saharan Africa for example.**

**By Oliver Schmidt**

The informal economy does not have a good reputation in western industrialised countries like Germany. A fundamental reason

is that it operates outside the realm of taxes and social-protection systems. Many critics see it as a shadow economy, with actors illegally sidestepping the paying of taxes and social security contributions. On the other hand, many informal workers view government institutions and state structures with scepticism.

In most low-income countries, state structures tend to be young and typically often go back to authoritarian colonial rule. They are widely considered to be artificial – in contrast to long-established sociocul-

tural traditions and norms. According to the World Bank, the informal sector in emerging market and developing economies accounts for around a third of gross domestic product (GDP) and about 70% of employment (World Bank 2021). Many of the people concerned are self-employed.

One would intuitively expect informal employment to move in counter-cyclical ways to formal employment. When the formal economy weakens, after all, people lose their jobs and are forced to earn money informally. In an economic upswing, on the other hand, there are new opportunities to switch from the informal to the formal sector.

In reality, however, things are more complex. For example, the informal sector can provide additional growth impulses in an economic upswing. The potential differs

from country to country however. Among other things, the dynamics depend on:

- how flexible formally regulated markets are and
- what levels of demand for informal labour are prevalent.

It is striking that, according to the International Monetary Fund (IMF) informal businesses and workers were particularly hard hit by economic downturns which the Covid-19 pandemic caused.

### EXPLOITATION AND MEAGRE PAY

Many workers in the informal sector endure poor working conditions. In some cases, they are severely exploited and may even live in slavery-like conditions. The pay gap between the formal and informal sectors is considerable. A major reason for the different pay levels is that the productivity of formal enterprises can be up to twice as high as what informal businesses achieve. This is largely due to higher levels of education, and that applies to the workforce as well as the management.

In sub-Saharan Africa, the informal economy is more pronounced than in any other region of the world, accounting

for around 34% of economic output (IMF 2020). Even people with formal jobs are often involved in some informal activities too – either personally or through family members. In Latin America and South Asia, the informal economy accounts for significant shares of GDP too. However, it has been shrinking across all regions mentioned here.

South of the Sahara, most micro-, small- and medium enterprises (MSMEs) are not formally registered; most of their workers do not have an employment contract – let alone a job description. Many are paid late or irregularly. The tasks they perform depend largely on their relationship to the owner-manager, who will often be a relative.

### ENTERPRISES OFTEN UNSUCCESSFUL

Some informal entrepreneurs are quite successful – but most businesses do not last long. Statistics tend to be of dubious quality, since informal businesses neither have an official paper trail. Nonetheless, it is safe to say that most MSMEs in sub-Saharan Africa do not survive five years.

Many governments in Africa are keen on formalising informal enterprises. The reasons include that they wish to:

- support businesses more effectively in pursuit of growth and jobs,
- benefit from more tax revenues and
- make production more environmentally and socially sustainable.

To achieve such things, governments cooperate with donor agencies. In joint efforts, they support enterprises with capital grants, loans and skills training. Both the KfW Development Bank and the European Investment Bank expect every financial institution they support to set up an Environmental and Social Management System (ESMS). The idea is to channel funding to borrowers that comply with environmental and social standards.

The skills training donor institutions provide typically addresses various areas of management, including business and investment planning, financial management, human resources management as well as sales and marketing. Competencies in these areas help an enterprise to grow. Gaps regarding relevant skills often make businesses stall.

Formal business competences, moreover, are often a prerequisite to securing loans. Formalised financial institutions, after all, are accountable to regulators, so they

## Women in the informal sector

Women tend to be more affected by the downsides of the informal economy than men. They often have a lower level of education, even though in Africa, for example, the gender gap is closing somewhat among the younger generation. In many places, moreover, women are socially subordinate to men and thus do not get the same opportunities in economic life.

Traditional gender roles, however, are also prevalent in the formal economy. In Africa's financial industry, for example, most loan officers are still men. In countries like Nigeria, that is the case both for banks and mobile-money companies.

Across Africa, mobile money is facilitating innovative and more inclusive financial services. Where a husband's consent is requested for the approval of a loan, as is the case in Uganda, women are at a disadvantage nonetheless. Husbands often gain undue control over their wives' finances. It rarely happens the other way around.

Examples like these show that gender inequalities need to be consciously addressed. Overall, the expansion of the formal sector is already benefiting women. In many ways, the women themselves are a major force of making change happen.

OS



Women are unequal to men in many places.

need a clear understanding of their debtors' situation – and only those clients' financial reporting can provide that kind of knowledge.

### BETTER BUSINESS TRAINING NEEDED

According to a review of the literature on the effectiveness of training efforts geared to enhancing business skills (McKenzie and Woodruff 2014), the impact tends to be rather limited. One reason is that the participants are too heterogeneous. In practice, the efforts to formalise enterprises often do not amount to much more than issuing certificates of registration. Some financial institutions, moreover, seem quite happy to refuse loans on the pretext that a business lacks formal status, for example, because they prefer to invest without risk in government bonds.

The larger the informal economy of a country is, the lower is its ratio of tax revenue to GDP. Many African governments have reformed their tax laws to address this problem. Nonetheless, many of them still hesitate to enforce fair taxation stringently.

Part of the problem is that these governments find it easier to obtain donor funding than to collect taxes.

Despite all criticism, donor agencies often play a positive role in terms of enabling enterprises to obtain suitable loans. For example, they may incentivise financial institutions to accept movable assets as collateral. Furthermore, they help financial institutions extend their range of services, which is particularly helpful with regard to financial products that have proven useful for MSME promotion elsewhere. On the other hand, donor agencies also have a tendency to push financial institutions to grant loans even when they are either unwilling or strategically positioned to do so.

Ultimately, what is needed to improve the interaction of the informal and formal sectors is a sound macroeconomic policy. It should prioritise creating incentives for private-sector investments – especially in capital goods, skills training and business formalisation. Donor organisations should constantly reassess what role they are playing in this context and – whenever necessary – adjust their policies.

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### TRADITIONAL MEDICINE

## Indispensable and unregulated

**As scientific health care continues to be beyond most Africans' financial and geographic reach, masses of people embrace traditional health care. They rely on healers' informal services and herbal medicines. Though traditional medicine works in many cases, it is often inadequate.**

By Ben Ezeamalu

Access to affordable modern health care remains a huge challenge in sub-Saharan Africa. Masses of people are too poor to afford treatment at hospitals. Most African countries spell out integrated universal health coverage as a goal. Unfortunately, that goal still seems somewhat utopian in many places. Where government hospitals are supposed to provide services at heavily

subsidised rates or even free of charge, facilities tend to be overwhelmed. Indeed, black markets have emerged, as patients often have to pay bribes to get treatment at public health centres.

It matters very much that most Africans do not have any kind of health insurance. There is a great need to develop both private insurance and governmental social-protection schemes. So far, however, most health expenditures are paid out of pocket in Africa.

In the few African countries where national medical insurance schemes exist, they serve only a minority, according to the World Health Organization (WHO). In Ghana, only a third of the population receives medical insurance under the country's National Health Insurance Scheme. In Nigeria,

which has among the highest out-of-pocket health expenditures and the poorest health indicators in the world, 75% of health expenditures were paid out-of-pocket in 2016, according to the WHO.

While there is at least some access to scientifically trained doctors in cities, things tend to be worse in rural areas. Most village communities rely entirely on traditional medicine, and many urban people do so too. The practitioners are easily accessible and their services are comparatively cheap. However, they sometimes fail to diagnose an illness properly or suggest treatments that do not work. Malperformance of this kind can lead to the loss of lives.

Traditional medicine is also known as ethno-medicine, folk medicine, native healing or complementary and alternative medicine. It is based on millennia of – mostly orally transmitted – experience. Traditional healers are often quite competent when it comes to dealing with standard situations. Bone setters know how to deal with broken bones, for instance, and traditional midwives help women give birth. However, they





Healer procuring supplies at a local market in Akure, Nigeria, in August 2019.

are not always able to deal with difficult situations. Caesarean sections, for example, are beyond their competence.

A comparative study in Nigeria showed that maternal and child mortality were higher for women who relied on traditional medicine in pregnancy and labour than for those who could afford professional care. Similar studies in Niger and South Africa yielded the same results.

Even faith healers often deliver results, though their practices often have no scientifically explainable base apart from boosting patients' confidence. When cases are complicated and traditional healers cannot help, it would be good if they referred patients to modern health centres. Unfortunately, that only happens rarely. To a large extent, modern and traditional medicine co-exist without much exchange between them.

According to research done in Malawi, the traditional healers are not to blame for this state of affairs. "Traditional healers

were more enthusiastic than biomedical practitioners, who had several reservations about traditional healers and placed certain conditions on prospective collaboration," is a finding reported in a joint publication by Fanuel Lampiao, Joseph Chisaka and Carol Clements (2019). While traditional healers clearly had confidence in modern practitioners' competencies, the reverse was not true.

The study confirmed that one reason traditional healers were so popular was that many live and work in villages, so people need not travel long distances to see them. However, they pointed out that costs and travelling distances were not all that mattered. The researchers found that traditional healers were considered to be more respectful and approachable than their scientifically trained counterparts. They estimated that 80% of Malawi's people seek treatment from traditional healers.

Far too often, however, traditional medicine is inadequate. In 2015, malaria, tuberculosis, and HIV-related illnesses killed about 1.6 million Africans according to the WHO. Timely access to appropriate and affordable medicines, vaccines and other health services would have saved many of these lives. The full truth, however, is not only that many patients never saw a professional doctor, but that even if they had done so, they would have been unable to afford the prescribed medications. Over 98% of the drugs consumed in Africa are produced outside the continent. They are quite expen-

sive, and counterfeit drugs are a problem in their own right.

Accordingly, herbal medicine is one of the most important forms of traditional medicine. Once again, it has its limits, even though it often works. Serious issues include that:

- dosage is difficult, so both under- and over-dosage happen,
- sometimes, the wrong plant is used, and
- contamination with toxic substances is common.

Efforts are being made to align traditional and modern medicine better. Over the past two decades, the WHO has been providing financial resources and technical support to ensure safe and effective traditional medicine development in Africa. In a series of clinical trials, 89 traditional products met international and national requirements for registration.

Fourteen countries have thus issued marketing authorisation for herbal medications. About half of these traditional products are now included in national lists of essential medicines. They play their part in treating diseases such as malaria, opportunistic infections related to HIV, diabetes, sickle cell disease and hypertension.

Jean-Baptiste Nikiema is a WHO adviser who specialises in essential medicines. In his eyes, two things are slowing down progress regarding the scientific approval of traditional medicine. One is political interference, the other is researchers' hesitancy to share insights for which intellectual-property protection is not available.

In most cases, traditional medicine thus remains unregulated in Africa. It is thus not monitored by any institutions of oversight either. Patients deserve better.

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## DEVELOPMENT PROJECT

## Prosperity with shea butter

In Uganda, a country where many rural poor are unable to find work, a social enterprise is championing an ambitious vision to create a sustainable rural city. The development project “Okere City”, based in Otuke district of northern Uganda, is working with locals who are predominantly in informal employment. The goal is to generate sustainable sources of income.

By Ronald Ssegujja Ssekandi

Okere Parish has a population of about 5000 people, over 65% being women. Most men migrate to urban areas in search of better economic opportunities. Some 98% of the rural community in Okere are small-scale subsistence farmers. They rely on rain-fed agriculture as their major economic activity. The parish has been ravaged by a 20-year long rebel war, which the region of northern Uganda suffered.

Most Okere dwellers traditionally grow shea trees, some of which have been passed on from generation to generation. These trees are scientifically known as “*Vitellaria paradoxa*” and are indigenous to Africa. The International Union for Conservation of Nature lists the shea tree among the species that are at risk of becoming extinct soon. However, shea butter has an estimated global market of over \$1 billion. There is thus scope for prosperous business.

A shea tree needs between eight and 15 years until it first can be harvested. A tree can yield 15 to 20 kilogramme (kg) of fresh fruit that will produce three to four kg of dry kernels. The kernels consist of almost 50% fat, of which shea butter is made. In the west it is most commonly used in cosmetics, in Africa it is also eaten.

Understanding the importance and attachment of Okere’s people to the shea tree, Ojok Okello, the founder and vision bearer for Okere City has crafted the idea’s vision around the product. “When the season for shea fruits harvesting comes, households are involved in the collection of shea nuts and production of shea butter as a secondary economic activity,” Okello says.

He thinks that the shea tree is the “engine that will spark socio-economic transformation”. He has therefore built a business around value addition and processing of the shea nut. Apart from shea butter, other goods can be made too. Starting in



Harvesting shea nuts in Okere City.

## Informal work in Uganda

Many developing countries like Uganda still struggle to create enough jobs. They have huge numbers of unemployed and underemployed citizens who would like to do gainful work. In such an environment, the informal sector offers liveli-

hood alternatives, generating the small incomes poor people depend on.

Economists used to argue that informal economies in developing countries were “temporal” and would disappear once economic growth led

to significant levels of industrialisation. It did not happen. In many places, the informal sector has kept growing. The Covid-19 pandemic, moreover, made it even more important, as thousands of people lost jobs.

According to the International Labour Organization, the informal sector in Uganda contributes more than 50% to economic output and is re-

sponsible for more than 80% of employment. Moreover, most of the informal businesses are said to offer income and livelihoods to people who are most vulnerable to poverty, including women. A June 2020 UNDP report predicted that due to the corona crisis and rising inequality “some 4.4 million workers in Uganda’s informal sector will fall into extreme poverty”. RSS

2019, Okello has invested some of his own money in the project. Now significant progress has been made. Okere clearly generates revenue.

To organise local people better, Okere City has set up a cooperative society for shea-tree growers. Currently, the cooperative society has 100 members – most of them women – who gather savings and take credit from the common pool. This gives the farmers access to the finance they need to advance their business, for example by purchasing fertilisers or improving storage facilities.

On top of prioritising agriculture, the Okere City model has also focused on other activities. Before the project started, up to 72% of the adult population in Okere had not had primary education. Thanks to an ongoing adult education programme, things are improving. The project is also paying attention to all children attending primary school. “Okere City is giving our children the best quality education here in the village without us taking our children to the city. This gives me confidence that the future of

our children shall be brighter,” says Eunice Apio, a chief of a local tribe.

Furthermore, a health facility has been set up to extend medical services to the local community. It operates on a flexible basis where locals can clear their medical bills during the harvest season. Okello reports it has an average 25 patients visiting per day.

There is also a boxing club that targets youth. The boxing club offers them an opportunity to channel their energy in sports.

Okere community prides itself in its rich cultural heritage. The Okere City project has established commercial traditional dancing activities for visitors and tourists. In this way, local musicians and artists can gain an income from the increasing number of visitors going into the area.

“Since 2019, our ecosystem of 20 social businesses and community projects now serves 5000 clients through targeted provision of services or products across the education, health, agriculture, tourism and finance sectors,” Okello says.

Customers like Shamim Nirere, an ardent buyer of the cosmetic product, are

excited about the quality of the shea butter from Okere. “It is by far the best moisturiser I have ever used. Additionally, the story behind the women who collect the nuts is inspiring. To think that when I buy a tin of Okere shea butter, at least some money finds its way to these women and the community is amazing,” she says.

Okere City’s grand vision is to create a poverty free village where everyone lives in dignity. Founder Okello aspires to achieve simultaneously all the 17 UN Sustainable Development Goals (SDGs) by 2030, and Okere shall emerge as a sustainable village.

LINK

Okere City:  
<https://www.okerecity.org/>



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SAHEL REGION

# Innocent suffering

**Countries with high carbon emissions have responsibilities to those with low emissions. They must, for example, help Niger to become more resilient and cope with food insecurity. On the southern fringes of the Sahara desert, informal subsistence agriculture is increasingly becoming unviable.**

By Paolo Cernuschi

Niger is exposed to extreme burdens of global warming. Temperatures are rising 1.5 times faster here than on average at the global level. Niger contributes less than 0.1% to the world’s carbon emissions, but that does not shield it from weather-related disasters such as drought and increasingly erratic rainfall. The Sahara desert is slowly expanding south. Currently, about 4.4 mil-

lion people in Niger – about one fifth of the population – are suffering food insecurity. That is twice more than last year.

The Russian invasion of Ukraine has made matters worse because food and fuel prices are rising fast. It also matters that Niger’s population growth rate is one of the world’s highest. The agricultural sector in Niger must become more efficient to keep pace with increased demand for food. However, due to rising instability, Niger finds itself producing less food, not more.

The underlying problem, however, is that global heating is making the largely informal subsistence agriculture most people in Niger depend on gradually unviable. That applies to pastoralism as well as to traditional farming. Not quite 90% of the people live

in rural areas and rely on rain-fed pastures and crops.

Resource conflicts are escalating. Access to potable water and arable land is becoming increasingly scarce. At the same time, demand is growing. Conflicts over natural resources are exacerbated by climate change and fast demographic growth. Local tensions can trigger intercommunal conflicts. This feeds into armed conflicts and population displacement, as well as less access to arable land, disruption of farming cycles and potentially reduced productivity of future cycles. The effects of one bad season easily outlast the season itself, prompting prolonged food insecurity, which can be amplified by further climate shocks. The situation is similar in other places – including, for example, the Horn of Africa.

In the past 50 years, the surface of Lake Chad, which connects Niger, Nigeria, Chad and Cameroon, has shrunk by 90%. The surrounding areas are haunted by violence. Observers now speak of the Lake Chad Basin conflict. Niger alone has 313,000 internally displaced persons (IDPs), and





Herder in Niger.

another 234,000 refugees have come to the country. Feeding all of these people puts extra pressure on Niger’s polity, economy and infrastructure.

Scientists expect that, by 2030, Niger’s temperatures will increase by another 1°C, and by 2050, they may even rise by 3°C. Access to natural resources will thus become yet more difficult, further propelling conflict dynamics.

### SCALING UP ASSISTANCE

This summer, food insecurity is expected to affect almost 41 million west Africans, and 4.4 million of them – more than ten percent – are in Niger. Unless additional resources are made available, massive displacement looks likely. International humanitarian agencies such as the International Rescue Committee (IRC) are scaling up assistance. However, high-income countries must step in too.

Public safety nets in Niger hardly exist. The Government of Niger and the international community have so far mobilised resources to assist only 3.3 million people,

leaving over 1 million without support. Without the allocation of significant additional resources to the response, this food insecurity could easily lead to massive displacement in the very near future.

Poor village communities must depend on their own resources. Long-term investments in health and women’s empowerment are needed. A recent study prepared by the IRC showed that related measures could drastically reduce malnutrition and undernourishment. Even simple things like telling expectant mothers how to breastfeed make a difference, as the

IRC is for instance doing so in the Tillabéri region with support of the Deutsche Postcode Lotterie.

Much more needs to happen, however. It is important to diversify the economy and build climate-resilient infrastructure, preparing communities to confront the impacts of climate change. This includes investing in productive infrastructure to reduce dependence on rain-fed agriculture and promoting sustainable crop, livestock and land management.

On its own, Niger has neither the capacities nor the funding to escape the vicious cycle of worsening resource conflicts and food insecurity. Nations with huge carbon footprints must fulfil the responsibilities they have to those with tiny ones in the Sahel region. The European Green Deal points in the right directions – and implementation must now follow fast.



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Small retail business in Abidjan.

AFRICA

## Informal markets under pressure

Many people in Africa's growing metropolitan areas work in the informal sector. But employment conditions are precarious – partly because space is scarce. This is the case, for example, in Abidjan, Côte d'Ivoire.

By Irit Ittner

Informal work contributes significantly to personal income in African cities. The reasons include a lack of formal employment opportunities and the fact that many people do not meet the requirements for regular jobs. A person's social background matters very much. People without formal education or registration documents struggle to get legally secure employment.

So they often have no choice but to accept informal employment involuntarily, doing work on the basis of verbal agreements or as day labourers. Some are informally employed by formally registered businesses. Others work for informal enterprises that lack the capital required for registration.

The informal sector offers workers relatively easy access to work and a high degree of flexibility. However, it denies social protection, fringe benefits, trade union representation and other improvements regarding labour relations. Many informal workers therefore hope, in time, to cross the

divide into the formal labour market, which promises more security as well as higher incomes. In the same sense, informal entrepreneurs hope to formalise their business at some point.

In African cities, activities in the public domain often cannot be clearly assigned to the formal or informal sector. This applies, for example, to the housing market (see my article in the D+C/E+Z Digital Monthly 12/2021.) One thing is clear, however. Although informal workers often provide important services for society, their status has negative impacts on their lives. This is evident, for example, in Abidjan, the sprawling coastal metropolis of Côte d'Ivoire.

### “URBAN DISORDER”

For a number of years, the district government of Abidjan and units of its municipal administrations have been increasingly cracking down on informal markets and unregistered street traders. Entire rows of informal stores have been demolished. In many other West African cities, authorities similarly penalise what they call “urban disorder” or “congestion”. In their eyes, the appropriation of public green spaces, squares and wasteland by informal small businesses

is an assault on public order and an anarchic threat to state authority.

The traders take a different view. They claim they are making use of public or unused space in the city to make an honest living, for example as street vendors or craft producers. Even though their small businesses are not registered, many pay market taxes or fees that are collected by municipal staff on site.

Fires occur frequently at informal markets. Some traders suspect this is a ploy to destroy their livelihoods or provide an excuse for evicting them. Few are able to move into new, formally planned and built market halls or shopping streets. The financial hurdles are too high.

When an informal market is cleared, the site is sometimes developed under official urban development plans. It may also be fenced off. Sometimes it is converted into a gated green space. Either way, the site ceases to be available for commercial use.

Despite better knowledge and the lessons of long experience, urban planning generally fails to address the traders' needs.



It normally makes no attempt to create suitable sites for their business in public space. It would even help the traders and their employees if the repressive action would stop. Moreover, reliable transitional arrangements for the use of public spaces would make sense. The legal status of an employment relationship and the degree of social protection it offers are important. Both contribute to better working conditions.

In Abidjan and elsewhere, however, large numbers of people obviously work in the informal sector for lack of alternatives. Accordingly, it is important to ensure appropriate sites for informal commerce in the city. Action must be taken. Urbanisation is fast increasing across the African continent, so conflicts around space, a scarce resource, will become increasingly more likely too.



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## Informal urban agriculture

Commercial urban agriculture is one of the many sectors in African cities in which informal employment is rife. In the south of Abidjan, between the Ebrié Lagoon and the Atlantic Ocean, the land is swampy and the soil is not very fertile. On the other hand, the high groundwater level makes it easy to irrigate, so it has been used for vegetable growing and horticulture since the 1950s.

Since the 1970s, a large part of that horticultural land has been exempted from urban planning. The Ivorian government has reserved it for an expansion of Abidjan's international airport. There is no possibility to purchase a plot in this area with any legal certainty. The airport operator, however, tolerates agricultural use within the projected airport perimeter.

Most of those working in the fields and market gardens are young men without much education. They are either self-employed or members of the owner's family. The women's role is mainly confined to selling the produce. Many of the young men grew up in Abidjan after their families migrated to Côte d'Ivoire from neighbouring countries several decades ago. They often cannot find

employment in the formal job market.

In urban agriculture, the access barriers are low. There are opportunities to acquire a plot of land informally or renting it informally for a single growing season. Vegetable growers can decide for themselves how they organise their work. In the course of time, they acquire horticultural experience and expertise. They perform a very important service by supplying the city with fresh, local food.

Nonetheless, they live precarious lives. First of all, they have no social safety nets – nothing to protect them against

loss of income, for example, in the event of illness. Second, their income depends directly on the productivity of their plots, so harvest losses can hit them hard. Third, they live in fear of losing the basis for their livelihood: the land. It could be lost to spontaneous settlements or it could be reclaimed at any time by the airport operator and the state.

For these reasons, the young vegetable growers mainly opt for crops with short growth cycles, so several harvests per season are feasible. That is something they achieve through abundant use of synthetic fertilisers and pesticides. Under these circumstances, it is virtually impossible to manage the land sustainably and produce healthier food.

The precarious land situation, moreover, has prevented the establishment of cooperatives. In other parts of the agglomeration, cooperatives serve as points of contact for agricultural support or training programmes.

The public land near the airport is also home to more than 100 horticultural businesses that produce ornamental plants for private gardens, public parks and commercial premises. They were created 40 to 50 years ago by immigrants from neighbouring countries. Today, they employ hundreds of people – mostly men. How much of that employment is informal is difficult to say because each family business makes its own arrangements. However, it may be assumed that far from all the gardeners are formally employed.

The owners of the horticultural businesses are worried about their future. Their sites too could be cleared one day to make way for the airport expansion. The chance of being offered alternative sites in the city is minimal. Abidjan is becoming increasingly dense. To make their voices heard, the owners of the horticultural businesses have organised themselves and set up a council to represent their interests – particularly in dealings with the airport operator and the municipality.



informal vegetable farming is being displaced.





**Father and daughter picking waste in Islamabad.**

PAKISTAN

## Informal waste picking

**Formally registered institutions only manage about 50% of Pakistan's municipal waste. The other half is what informal entrepreneurs' livelihoods depend on. Some poor people have no alternative to collecting, sorting and selling valuable items. Their work is valuable in environmental terms, but not financially rewarding. It is also hazardous.**

**By Imran Mukhtar**

Every morning, Khushhal Khan walks about an hour to central Islamabad with three of his underage children. In well-to-do neighbourhoods, they collect reusable items from the garbage of prosperous households. With his 13-year-old daughter, he picks plastic bottles, paper, cardboard and other reusable things from municipal waste dumpsters. They collect the items in a big bag. Khan's sons, nine and 10 years old, do the same kind of work in streets nearby, contributing to the family's livelihood. Child labour is common in the informal sector and tolerated by government agencies.

Typically, the persons who are doing such environmentally useful work do not wear any protective clothing. Barefoot children often roam garbage dumps. Entire families are exposed to health risks they hardly understand.

In Pakistan's cities, open spaces and riverbanks often seem to have become waste-disposal sites. Indeed, some places are unplanned, but systematically used disposal sites. Things would be even worse if poor people did not collect considerable amounts of waste which they can sell or otherwise make use of. Organic waste "disappears" from grocery markets this way too. Even on official municipal landfills, informal scavengers are at work. As unintended side-effect, they expand those facilities' capacities.

In the eyes of Ahmad Rafay Alam, a lawyer who specialises in environmental matters, the informal waste-picking business is most valuable: "The people concerned remove vast amounts of metal, glass, paper, plastic and other materials from the environment".

Khan and his three children work the whole day. In the late afternoon, they congregate and sort what they have gathered. They even have use for organic kitchen waste and left over food. They feed their three cows with it. Khan says that his family drinks some of the milk, but they also sell some in the local market.

On average, he reckons that he makes a daily 500 Pakistani rupees (the equivalent of about €2.30) from selling non-organic

waste items. "It is not enough to make ends meet," he reports and expresses frustration with municipal waste workers who keep the most valuable items to themselves in order to earn some extra money on top of their monthly salary. "I have no other choice than to do this work because I am illiterate," Khan points out. He says he would rather work hard than beg.

According to a recent study prepared by the multilateral Asian Development Bank (ADB), Pakistan generates about 30 million tonnes of municipal waste per year. Formally registered institutions are only estimated to manage 50% of it, so informal waste pickers are playing a crucial role in reducing garbage volumes and feeding reusable material back into the economy. The ADB authors bemoan the lack of reliable statistics, but estimate that "more than 80% of the valuable recyclables (paper, plastic, glass, metal and rubber) are taken away by the informal sector before they reach the dump sites."

It is known, moreover, that many garbage scavengers are refugees from neighbouring Afghanistan. For decades, refugees have been living in Pakistan, with some residing in official camps and others in urban slums. Their incomes are low and typically do not suffice to properly feed families. The Khans are internally displaced people from the Khyber Pakhtunkhwa province which is on the Afghan border and has suffered civil unrest in recent decades. They live in an informal Islamabad refugee settlement, where many Afghans have found shelter too.

### COMPLEX SUPPLY CHAINS

There are complex supply chains for waste paper, used metals, rags etc. Like the waste pickers, most middlemen are not formally registered. Zeeshan Ali's shop depends on deliveries from people like Khan and his kids. His small shop is in central Islamabad. His clients see him there. He further sorts items before selling them on to his customers.

He estimates that he makes 1500 Pakistani rupees per day and complains that the amount is barely enough to cover his costs. He says his business is risky: "Whatever we buy, might be stolen after all. Whenever someone reports thievery in our area, the police come here to interview us."

And still, Ali would like to expand his business. To do so, he would need more

space – plus money for investments. Both space and money are out of reach, however. His profit margins are tiny and Pakistan’s economic situation is difficult. Inflation has been hurting small businesses for quite some time. In this regard, it makes no difference whether they are formal or informal. Sovereign default is looming. The new government is currently renegotiating to revive its stalled \$6 billion loan programme with the International Monetary Fund (IMF).

The merits of informal waste management were appreciated in 2020 in an essay in the academic Journal of Cleaner Production (Yousafzai et al.). Benefits were said to accrue in regard to food safety, public health and the environment, for example. The authors also stated that the persons concerned have no understanding of what they collectively contribute to social life in general: “A whopping 99% majority of such workers (in Pakistan) pretend as if none of their kind exist, possess dual identities and are stigmatised due to refugee backgrounds.”

Those, who make their money this way, suffer a triple hardship: Their incomes



are very low, they have no occupational-health provisions and, in cases of need, do not benefit from social-protection systems. They are exposed to heat, wind and rain as well as various toxic substances. Whoever falls ill, entirely depends on their family. In hygienic terms, informal waste collection is awful.

The people concerned live in poverty and are looked down upon, even though their work serves both society and the natu-

ral environment in important ways. “Our cities benefit from these unrecognised heroes,” says environmental lawyer Alam, “but they get nothing in return.”

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Printing traditional Javanese textile patterns in a small-scale workshop.

RELEVANT READING

# “Social capital must not be neglected”

**When it comes to promoting small industries, a prominent Indonesian economist argues that social infrastructure is more important than hard infrastructure.**

Iwan J. Azis interviewed by Hans Dembowski

**Your recent book “Periphery and small ones matter” deals with how to tackle inequality in Indonesia. What does the conventional wisdom regarding development economics get wrong?**

Well, when the World Bank, the International Monetary Fund and many other donor agencies consider inequality, they tend to look at income inequality, but do not pay enough attention to what is driving income inequality. They thus fail to take note of two important kinds of disparities. First, average incomes vary greatly between regions, and second, incomes and opportunities vary greatly between small and large businesses. To some extent, moreover, these two phenomena are mutually reinforcing because

large companies tend to be based in either the more prosperous or natural resource-rich regions. The implication is that inequality will keep growing unless policymakers intervene. The full truth is that Indonesia is still marked by deeply entrenched dualism.

**In development sociology, dualism means that two diverging sets of norms coexist within a society, formally codified law on the one hand and on the other, traditions that are shaped by culture and religious beliefs. Typically, the poorer and less well educated people adhere to the latter because they are often only vaguely – if at all – aware of the former. The elites, by contrast, know how to deal with both sets of norms. Do you use the term dualism in this sense?**

Yes, I do, and it is precisely what Julius Herman Boeke had in mind when he coined it. He was a Dutch scholar who was employed by the colonial government in Indonesia in the first half of the 20<sup>th</sup> century. His notion of dualism helped to explain why many

policies and programmes that the colonial power wanted to implement did not work. The Dutch tried to introduce values that were supposedly modern, but obviously served their imperialist interests, and the colonised people stuck to their traditional norms. Though Indonesia became independent in 1949, the impacts of social dualism are still evident. Both the inequality between regions and between different kinds of companies can be traced back to the colonial era. Today, more than 95% of the business units are small. Only a tiny percentage are large, but they account for most value creation.

**Are small businesses the same as informal businesses?**

No, they are not, but there is a huge overlap. Most informal businesses are small, but a few are not. There are also some formal businesses that do not employ many people – consider a small law firm or IT-based start-up companies, for example.

**What can policymakers do to put a check on ever-increasing inequality?**

Well, they should pay attention to several things. One is the force of economics of agglomeration. Activities benefit from being located close to other activities. Another is that social capital and culture matter very much, especially when we deal with small and informal activities.



Let us consider agglomeration first. It is an important reason why, in high-income countries, specific industries tend to cluster in particular cities. In Germany, for example, Frankfurt is a hub of banking and Stuttgart of car manufacturing. Clusters of this kind enhance an individual company's productivity because proximity facilitates networking, because the pool of skilled workers is larger and because the local infrastructure suits their needs. Is this what you are thinking of? Yes, in principle, but in an even more fundamental way. Imagine ten small companies are ploughing ahead on their own and com-



pare them with ten small companies that are clustered. The second group will invariably be more productive. They will share information, procure some inputs in cooperation and cooperate on improving the infrastructure they depend on.

**That sounds like the Otigba Computer Village in Lagos, Nigeria. It is a cluster of informal companies that specialise in IT hardware and software. One of the great advantages is that skilled staff can switch from employer to employer fast, and that software and hardware providers can deliver joint services to customers.**

I am not aware of this case, but yes, the forces of agglomeration always exist, and informal companies can benefit very much. If market dynamics are entirely left to themselves, however, the impact will be more inequality. The reason is that the large businesses have the capabilities to cluster in particular locations and gain benefits from it, while many small businesses will keep operating in isolation. The result is rising inequality between locations/regions and between small and large businesses. Therefore, governments should do their best to

promote the healthy impacts of agglomeration for small activities and at the same time mitigate the harmful impacts of inequality between regions as activities tend to concentrate in particular locations.

**In practical terms, this probably means that governments should provide good physical and social infrastructure.**

Well, good social infrastructure is actually much more important, as our research has shown. What small businesses lack in particular is networks, knowledge and information. Let's do a short thought experiment. Company A is large and urban; company B is small and rural. In all other regards, both exist in the same environment. When company A faces a difficulty, its management will look for help. It may hire an adviser, it may lobby the government or perhaps it will find out who to bribe. Company B, by contrast, will be left to its own devices and will keep struggling with that difficulty. Social capital is really essential and it results both from professional competence and personal contacts. Either way, education is essential.

**But isn't hard infrastructure in terms of roads, electric power supply et cetera similarly important?**

It is important, yes, but it tends to be overestimated, whereas social infrastructure is often neglected. Governments around the world have again and again tried to reduce inequality between regions by building hard infrastructure in disadvantaged areas. But this approach does not bridge the inter-regional gaps. The most striking example is probably Italy, where the South was supposed to catch up with the North thanks to heavy infrastructure spending, but it actually kept falling further behind. In Germany, your experience is similar. Since reunification, the eastern states have not caught up with the western ones.

**How do you explain the growing disparity?**

Well, additional hard infrastructure does help the region concerned to some extent, but as it begins to prosper, it buys increasingly more goods and services from the more advanced regions, so those regions actually benefit even more. The gaps widen. People in disadvantaged regions still lack the knowledge and networks to make small businesses more productive and more competitive. Social capital must not be ne-

glected, and experience shows that better education and better health care boost productivity throughout a nation without entrenching regional disparities more deeply.

**What about financial services?**

We did a survey of small companies in Indonesia. Among other things, we asked them whether they had access to loans from banks. The result was that many of the very small businesses did not want to rely on bank credit, because they knew they would have to pay the money back at some point and were afraid that they might not be able to do so. Culturally, this is a hindrance even where a local branch office of a bank may exist. If leaders of micro businesses did borrow money, they borrowed from relatives and members of the local community. Cultural norms matter very much. Education and awareness raising can make a difference.

**Does digital technology matter?**

Well, the internet can help to bridge regional divides. To the extent that people have access, it can become a big leveler.

**But internet access depends on hard infrastructure, not education.**

When small businesses are run by elderly with a lack of internet knowledge and education, they have difficulty to operate using the internet. So, internet literacy is often more important than the quality of their access, and it will spread fastest where companies are clustered and some people have a basic understanding of the matter. Even where connectivity is poor, well-informed business leaders will thus be able to make good use of it.

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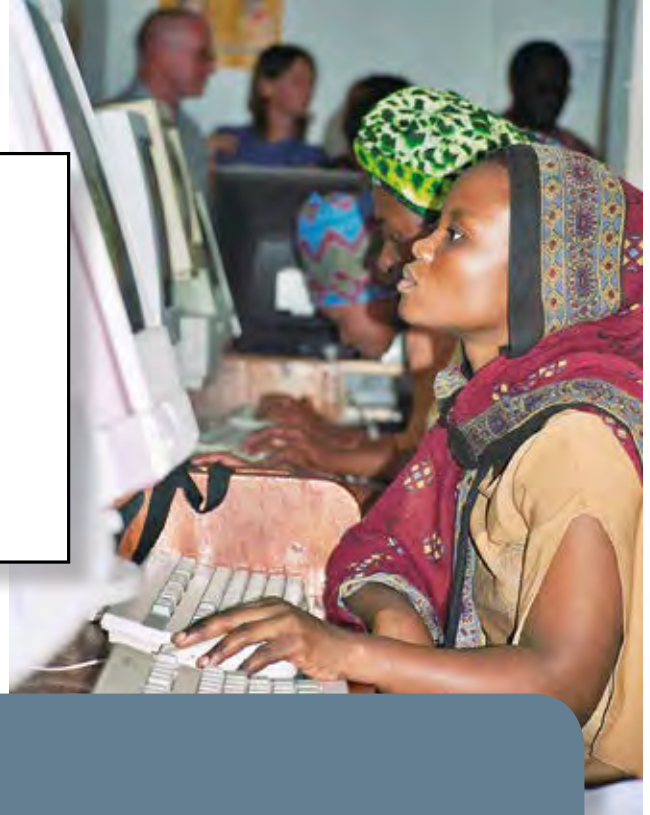


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RELEVANT READING

In promotion of small businesses, prioritise social capital



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