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Policy pointers

Street vendors do not solely feed the poor: middle class consumers and tourists actively choose food from informal vendors, increasing their potential to contribute to a city's economic growth.

Governments must recognise street vendors as valid economic actors with a unique role in connecting important economic activities (including agricultural production and consumption) with urban spaces.

An approach that recognises the importance of informal vendors, listens to their voices, and provides appropriate spaces and facilities for them can successfully formalise street vendors as licensed business owners and an economic asset, serving quality food.

Equitable urban economic growth, built on consultation and communication with marginalised actors, contributes to wider inclusive urban development activity that benefits the whole city population.

Inclusive governance of informal markets: the street vendors of Surakarta

Surakarta's informal street vendors are well known, acting as a tourism attraction and — as in many cities in developing countries — making an important contribution to the food security and incomes of the urban poor. But it wasn't always so. Informal street vending is often ignored by policymakers, or regarded as a problem to be eliminated. This was also true in the city of Surakarta, Indonesia until the mayor led a very different dialogue-based approach. By offering street vendors desirable and well-planned physical spaces and formally recognising them as viable and important businesses, the city enabled them to make a meaningful contribution to urban transformation and economic growth. The mayor's first programme of engagement, designed to genuinely communicate with these marginalised economic actors, saw 17 per cent of street vendors move to mutually-agreed locations 2005. By 2014, more than three quarters of informal street vendors were operating from purpose-built facilities.

Informality is a dominant feature of many urban areas in developing countries; in Indonesia, for example, the informal sector employs 70 per cent of the population.¹ Despite this dominance, informal actors remain economically marginalised. Street vending — which is typically found in the informal sector — is usually carried out on city sidewalks, pedestrian bridges and other unofficial spaces. The locations where vendors set up are often seen by municipal authorities as eyesores, hosting undesirable, dirty activities that disturb or conflict with the formal sectors. In many cases, city authorities have forcibly evicted or relocated street vendors in the name of urban order and cleanliness. As a result, street vendors often have to play 'hide and seek' with the authorities, moving from

place to place. When found, they are subject to harassment and extortion. But Surakarta (known locally as '*Solo*') is, by taking a more inclusive approach, succeeding in formalising street vendors as part of its process of inclusive urban transformation.

A street food boom

The number of street vendors in the city of Surakarta grew exponentially during the Asian economic crisis of the late 1990s. The economic sector was chaotic with many banks, industries and businesses collapsing, causing rapidly increasing unemployment. In this context, the informal sector — and specifically street vending — offered an important coping mechanism for low income households.²

Surakarta has acted to realise street vendors' potential as an economic asset to the city

Street vendors clustered where consumers could be found: around schools, universities, hospitals, business areas, parks and housing complexes. The majority were selling food, drinks and snacks for local urban residents. Street vendors are associated with the provision of food for the poor, but in fact many middle class people were choosing their products. However, despite their contribution to the urban economy (affordable food for low and middle-income consumers), street vendors in developing countries have typically had no legally designated space or permit to operate in the city. With no proper protections, vendors were forced to bribe someone in uniform or pay criminals to avoid harassment. City authorities have been aware of extortion by people who aren't government officials, but never acted on it.

While Indonesia had almost completely recovered from the economic crisis by 2005, street vendors could still be found in most of the parks and public spaces of Surakarta. Attempts to remove them was met with strong resistance from both vendors and the criminals making money from them, which typically ended with clashes and street riots. Poorly functioning government services, high unemployment and an economy in recovery weighed on the city's half a million residents. Disparities between the poor and wealthy residents grew, widening Surakarta's economic and social divides.

Listening and learning

In 2005 the newly elected mayor of Surakarta, Joko Widodo (known as 'Jokowi') was keen to respond to (largely middle and upper class) concerns about the location of informal street vendors. He proposed to remove informal street vendors from the parks and public spaces completely and relocate them to a designated area.³ Jokowi's initial focus was on relocating vendors from one particular area around the popular Banjarsari parks. With his signature style of '*blusukan*' (direct involvement on the ground with people and issues), he began open communication, asking the street vendors' leaders to have lunch with him. This was a trust building process between the local government and the street vendors: Jokowi treated the vendors with respect and dignity (in Javanese called '*Nguwongke*', which means to 'make other people feel human'). It delivered positive results.

Jokowi — who does not come from the royal or political elite — listened to the street vendors and discussed what they wanted in efforts to come to a reasonable agreement. After painstakingly discussing the issue in 54 meetings, the vendors agreed to be move to a new location at Khitilan Semanggi, which would provide facilities including shelters and parking, and is easy for city consumers to access. The decision was celebrated with a cultural ceremony and public event: the mayor and almost 5,000 people walked together, accompanied by a drum band and Javanese music ensemble, for 7km to the newly relocated permanent shelters. The event was a watershed moment in restoring public trust in the government and demonstrating that the people and the local government could work towards the same goals. The subsequent negotiations and relocation processes were far swifter, but there have been bumps in the road: not all relocation efforts have been operationally successful, as we discuss below.

How relocation works for city, and for the vendor

In 2004, 5,817 street vendors were recorded on the city streets of Surakarta. They began to be relocated to sheltered areas in 2005, following the ceremony. At this time 989 street vendors (17 per cent) relocated. All food shelters and culinary bazaar locations developed by the city government have an electricity line from state-owned electricity company PLN and clean water supplied from local government-owned water company PDAM. The vendor, as tenant, pays for water and electricity, plus a small fee for maintenance (the latter is free for the first six months).

Table 1. Number of street vendors relocated in Surakarta

Year	Number of vendors on the street	Number of vendors relocated in year	Total number of vendors relocated
2004	5,817		
2005	4,828	989	989
2006	3,406	1,422	2,411
2007	2,657	749	3,160
2008	2,344	313	3,473
2009	2,106	238	3,711
2010	2,066	40	3,751
2011	1,936	130	3,881
2012	1,918	18	3,899
2013	1,884	34	3,933
2014	1,395	522	4,455

Source: Government of Surakarta City, 2014

All vendors at the shelter are registered and have a formal licence from the government, which can be inherited by a family member.

Relocated vendors also receive training, conducted regularly by the Office of Small and Medium Enterprises and Co-operatives, on topics including sanitation and food safety. The city did not keep records on the incidence of food-borne illness attributed to food sold by street vendors, but the public health office did sample food sold by street vendors. Their results showed that the incidence of bacteria and harmful content has declined following relocation and the city-sponsored training in food sanitation. More general training on business development and financial management is also conducted by the city every year with a total of 100 participants, although this is not targeted exclusively at street vendors. As only about 30 per cent of those participants are street vendors being assisted by the city, many vendors must wait quite some time to take part.

The city has formalised several steps to relocate the street vendors:

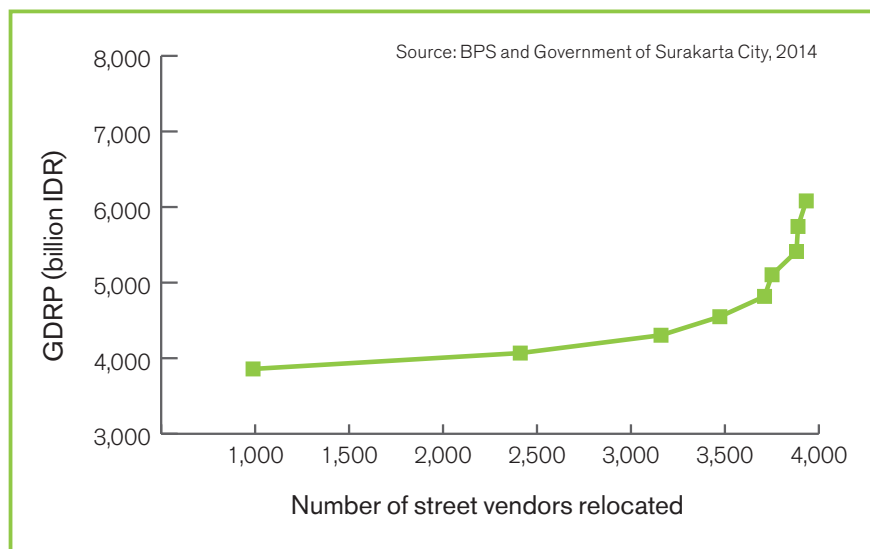
1. PKL Management (the city office which handles the relocation of street vendors) asks the vendors in a particular location to form a group and elect a leader
2. The office then asks the group about their preferences on where they want to be relocated
3. The group leader will then negotiate with the PKL Management office until they come to reasonable agreement on location
4. PKL Management consults with the zoning and planning office for permission; it then asks the infrastructure office to build a covered shelter.

If the relocation fails, it is generally due to the infrastructure office not communicating effectively with the street vendors. Surakarta's city government has acted to address this by limiting the infrastructure office's responsibility to physically building the covered shelter — the planning, location, and design is decided on by PKL Management (who communicate directly with the vendors).

Progressing the programme

In the three years following the mayor's ceremony and the initial move, 3,180 street vendors (54 per cent) relocated from their location in public parks and streets to designated areas (Table 1). The face of Surakarta was quickly changing, with clean, more organised and attractively arranged food

Figure 1. Correlation of street vendor relocation to the GDRP



shelters and culinary night bazaars in different locations. By the end of 2012, when Jokowi vacated his office as mayor of Surakarta (to become Governor of Jakarta, and then President of Indonesia), 67 per cent vendors had been relocated to the shelters. The street vendor formalisation programme was continued by Jokowi's successor and, by 2014, 4,455 street vendors (76.6 per cent of the total) had relocated to shelters.

However, relocation has not been judged successful by all street vendors: some blame their new positions for reduced sales and a drop in the income. For example, street vendors from around the main street of the Sebelas Maret University campus were relocated to Pasar Panggungrejo, which is further out and not serviced by public transport. Although the city office communicated fully with the street vendors before and after relocation, neither party anticipated that consumers would dislike the new location and prefer to go elsewhere. This shows that, in addition to consultation with vendors facing relocation, the city must also carry out consumer surveys on the likely impact of a new location on their buying habits.

Developing capacity to contribute

Most city management authorities in developing countries do not recognise the need for spaces for the informal sector; many believe urban areas should be for modern sectors that have high economic value and contribute to the local tax base. In contrast, Surakarta has acted to realise street vendors' potential as an economic asset to the city by legalising and formalising the vendors as registered and licensed business owners.

The increasing number of street vendors that have been formalised and relocated to shelters and culinary night bazaars mirrors Surakarta's wider economic growth and improved trading activity. With 658 shelters for vendors built by the city in different locations to date, the authorities' approach to street vendors is contributing to Surakarta's contemporary reputation for cleanliness and beauty.

Overall, with the involvement of all community members in a dynamic urban economy, Surakarta has emerged as a destination for gastronomy, fashion, and creative arts in Central Java Province. The number of visitors to Surakarta has grown rapidly in the last seven years.

The city currently holds no data to indicate if it has benefited from increased revenue as a result of the street vendor relocation. It is likely that any increase would be quite small in terms of direct, hard cash revenue to the city; the larger impact would be a multiplier effect on overall economic growth. The gross domestic regional product (GDRP) of Surakarta increased by an average of six per cent in the period of 2005–2013. Figure 1 shows that the number of street vendors relocated and the city's economic growth are increasing at a similar rate.

GDRP is a very crude measure of growth, and does not necessarily show a causal relationship between these two increases — but what it does show us is that the relocation of street vendors (making the city cleaner and more beautiful) has

run parallel and been consistent with the overall economic growth of the city. We know the informal sector is now serving not only the locals deemed to 'need' cheaper food, but also providing higher value products to many more affluent domestic and international visitors.

The power of making other people feel human

Surakarta's current mayor has built on Jokowi's legacy, continuing to recognise street vendors as legitimate economic actors capable of creating strong multiplier effects in the city economy. Jokowi understood the importance of consultation and communication: he was astute in seeing that any relocation that suited city authorities needed to offer benefits for the vendors too. These benefits, offered in the form of facilities, training, freedom from extortion, and the chance to pass a legitimate business on down the family, are of real value to both vendors and the wider community. Other city governments could learn important lessons from this example and use '*Nguwongke*' to seek win-win solutions for their own communities.

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Notes

¹ Indonesia's Urban Studies. 2008. The concept of urban informality started from dichotomy between the formal sector and the informal sector discussed in early 1970s. The informal sector is a very common phenomenon that occurs in developing countries. The percentage of the informal in Latin America, Sub-Saharan Africa, the Middle East, North Africa and South Asia ranges between 30-70 percent of the total work force. In Indonesia, 72 per cent of workers — 73.53 million out of 102.05 million — worked in informal sectors in February 2008 (Central Bureau of Statistic – BPS). / ² International Labor Organization. 1972. Employment, Incomes and Equality: A Strategy for Increasing Productive Employment in Kenya. Geneva. The ILO identified at least seven characteristics that distinguish informal sector from formal sector, those are: (1) easy entry, (2) easy to obtain raw materials, (3) the nature of ownership, (4) the scale of activities, (5) use of man power and technology, (6) expertise requirement, and (7) deregulation and market competition. / ³ Majeed, R. 2012. Defusing a Volatile City, Igniting Reforms: Joko Widodo and Surakarta, Indonesia, 2005–2011. Innovation for Successful Societies. Princeton University.