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Policy Brief: Governance in Informal Markets

Governing Informality: Drivers of Service Provision in Nigeria's Wholesale Markets

Danielle Resnick^a, Liverpool-Tasie Lenis Saweda O.^b, Aditi Chugh^a

^aInternational Food Policy Research Institute (IFPRI)

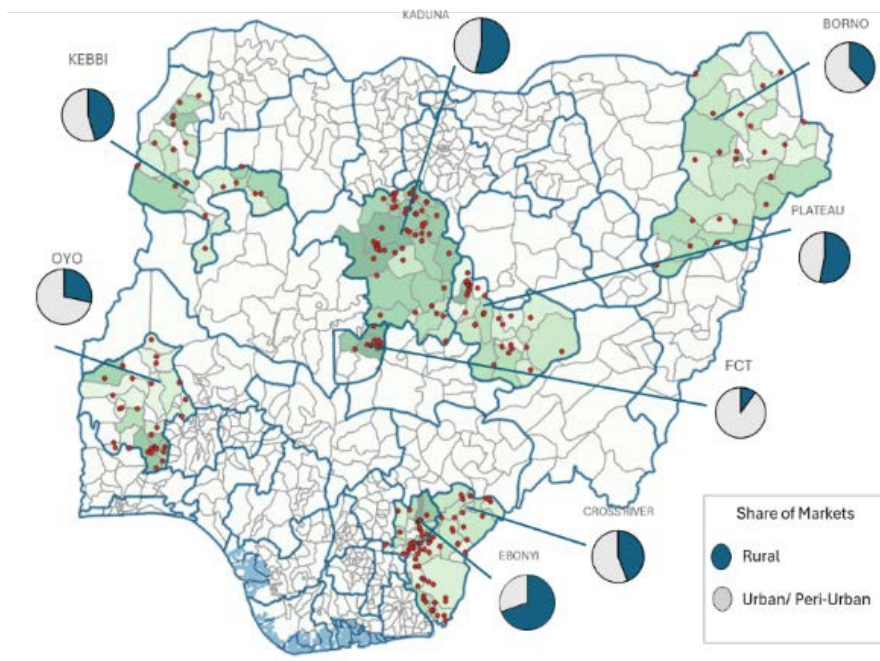
^bMichigan State University

Introduction

How does governance impact service provision in informal food markets? Addressing this question is particularly important given that informal wholesale and retail food markets are essential to the employment and consumer behaviors of a large share of the population in low- and middle-income countries (LMICs). For instance, wholesale food markets serve as essential hubs where professional vendors and buyers trade fresh produce such as fruits, vegetables, meat, fish, and dairy, linking farmers to consumers and ensuring efficient food supply chains (Tefft et al., 2017). These markets are crucial for the agri food value chain, offering services to farmers and providing fair prices for their produce. Moreover, through license fees, levies on market stalls, and presumptive taxes on estimated turnover, informal markets can also generate significant revenue for local governments (Prichard & van den Boogaard, 2015; Resnick, 2021).

In Nigeria, wholesale traders navigate nested governance structures, including market committees, commodity associations, traditional authorities, and private sector service providers. They are also operating within Nigeria's third sub-tier of government, known as Local Government Authorities (LGAs), which collect taxes on the markets. We analyze four governance mechanisms to understand how different actors and institutional arrangements impact water, sanitation, waste collection, electricity, and security across 299 wholesale vegetable and fish markets across seven Nigerian states as well as the Federal Capital Territory of Abuja (see Figure 1). These mechanisms, which are described in more detail in the next section, include information, capacity, incentives, and authority. The analysis is based on data collected by RSM2SNF through a structured questionnaire administered to a focus group of market leaders and traders for each market, between July 2023 and February 2024.

Figure 1: Map of Survey Locations in Nigeria



Unpacking Governance and Service Delivery Dynamics in Nigeria's Wholesale Markets

To assess service provision in markets, five key services were examined: access to a reliable water source, functional toilets, electricity from the grid, presence of security guards, and waste collection. These services are essential for sanitation, safety, and economic activities, particularly in markets without storage facilities those dealing with perishable goods. Waste collection and grid electricity are the least available, present in less than 30% of markets, while functional toilets, though available in 43% of markets, are often insufficient for larger trader populations. Markets in the FCT generally have the best service provision, reflecting its larger and newer markets. Access to water and electricity has improved over the last five years, though unevenly across states. Security, captured by the presence of security guards in the market, is the most widely available service, present in over 65% of the sample.

Table 1: Variation in Service Delivery across Markets

Average	Overall	Borno	Cross River	Ebonyi	FCT	Kaduna	Kebbi	Oyo	Plateau
Waste removed daily (%)	26	33	24	9	70	38	9	30	9
Access to electricity grid (%)	28	14	20	48	60	25	23	48	15
Access to electricity grid, 5 years ago (%)	22	14	8	41	60	24	24	32	11
Access to pipe-borne/ borehole water (%)	40	24	36	61	80	33	27	72	23
Access to pipe-borne/ borehole water, 5 years ago (%)	30	10	31	55	80	18	27	48	22
Access to functional toilets (%)	43	95	30	26	100	38	68	52	19
Security guards (%)	68	86	52	91	60	61	86	72	66
Service delivery index (0-5)	2.06	2.52	1.62	2.35	3.7	1.94	2.14	2.74	1.32
Number of Markets (n)	299	21	50	23	10	80	22	46	47

To explain the disparities in service provision across markets, this study analyzed the role of information, capacity, incentives, and authority. Information can be captured by the presence of LGA offices in the markets and forums that enable traders to voice their complaints. Authority is measured by whether a market is located on government land and the presence of product associations that may compete with or support, the broader market authority. To proxy for incentives, the analysis includes whether market leaders are elected or appointed, based on the assumption that elected leaders are more accountable for service provision. Equally, the study included a measure for whether LGAs were elected or under caretaker committees, meaning that LGA leaders are appointed by the government. Finally, capacity is captured by the amount of taxes the market is able to collect and the education of the market leaders.

Determinants of Market Service Provision

Based on a probit statistical model, the findings highlight that the mode of governance that matters varies across the service of interest. More specifically:

1. Incentives play a strong role in multiple ways. Elected market chairpersons are associated with a 14%point increase in the probability of daily waste collection and a 14% point increase in the probability of the presence of security guards. This is likely because traders reported in the survey that these are the services that they see as the primary responsibilities of the market authorities.
2. In addition, LGA caretaker governments are associated with significantly worse service provision, especially for electricity and water, with a 27% point and 36% point higher probability of no electricity access and no water access, respectively. This may be attributed to reduced incentives for appointed LGAs to respond to market needs and possible revenue extortion.
3. Producer associations are linked to less frequent waste collection, possibly because the presence of producer associations implies more centers of power in the market and diluting the authority of the main market leadership to control who traders hire, if anyone, to dispose of their waste.
4. Markets located on land that is majority-owned by the government, as opposed to the community or the private sector, are key for functional toilets. This is likely due to the concerns of investors about building infrastructure in markets where land tenure claims might be more tenuous.
5. The presence of a traders' forum for complaints is linked to the presence of security guards, likely because security is the service most controlled by market authorities, allowing complaints to be addressed effectively.

Policy Implications

A few policy implications emerge from this complex interplay between governance and service delivery in traditional wholesale markets.

1. Encouraging market traders to elect their chairpersons, rather than relying on political or community appointments, can strengthen accountability and improve service delivery in key areas such as waste collection and security provision.
2. While product associations play a crucial role in capacity building and trader support, their decentralized structure may hinder effective sanitation and cleanliness efforts. Market authorities should retain primary responsibility for waste management and hygiene services.
3. Markets situated on government land are more likely to have essential infrastructure like functional toilets, which require significant investment with limited financial returns. Governments should prioritize such investments, as private actors may be unwilling to fund them.

4. The encouragement of elected LGA governments is essential , because appointed LGAs were found to be negatively associated with all five market services. Policy reforms should reinforce downward accountability mechanisms to ensure service provision aligns with traders' and consumers' welfare.

References

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The details of the data used, analysis, findings and recommendations are available in the full paper, which is available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=5207422.