



**Women in Informal Employment
Globalizing and Organizing**

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Informal Economy Budget Analysis in Peru and Metropolitan Lima

Lisette Aliaga Linares



WIEGO Working Papers*

The global research-policy-action network Women in Informal Employment: Globalizing and Organizing (WIEGO) Working Papers feature research that makes either an empirical or theoretical contribution to existing knowledge about the informal economy especially the working poor, their living and work environments and/or their organizations. Particular attention is paid to policy-relevant research including research that examines policy paradigms and practice. This series includes statistical profiles of informal employment and critical analysis of data collection and classification methods. Methodological issues and innovations, as well as suggestions for future research, are considered. All WIEGO Working Papers are peer reviewed by the WIEGO Research Team and/or external experts. The WIEGO Publication Series is coordinated by the WIEGO Research Team.

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Introduction

This report analyses the national, regional and local budgeting allocations for programmes and services targeting (directly or indirectly) informal workers in Peru and Metropolitan Lima for 2009. Potential issues for three types of informal workers – street/stall vendors, household¹ workers and waste pickers — are highlighted throughout the report due to their significant presence in informal employment, the gender distribution and recent organisation activity which relates to the advocacy role of Women in Informal Employment: Globalizing and Organizing (WIEGO).

The organisation of the budget information follows a scheme that divides allocations within institutions according to their functional tasks. Some programmes – even if named as such, that do not attain a role as an executive unit as a decentralised agency within a specific ministry – may have several of their activities widespread within no particular programme or subprogramme identifier. Therefore, the analysis presented in this report draws on a variety of methods to confirm the relevance of budget allocations to informal workers. Using the online monthly-budget consultation system, budget tables were first expanded and then compiled, and then allocations were confirmed with official reports and through subsequent phone and/or face-to-face interviews with public officials from central, regional and local administrations. Additional interviews with community leaders and support organisations were conducted to complement the analysis of the relevant issues faced by selected informal workers.

The report is divided into four sections. The first section provides an introductory characterisation of informal workers in the country and locality using available official estimates, and some own estimations to identify key informal occupations, using the 2007 National Household Survey (ENAHU). We use the term ‘informal sector’ to refer to informal enterprises and those employed in them and the term ‘informal economy’ for informal employment both inside and outside informal enterprises. Most of the official data are on the narrower concept of employment within the informal enterprises

The second section provides an analysis of the national budget distinguishing between core and indirect programmes relevant to informal workers. Core programmes and projects are considered as such if they specifically target workers and the status of being formal or not. Those programmes are focused on (1) the formalisation of economic activities, (2) expanding social protection to workers who are not covered by the regular system, (3) solving work-related claims or supervising labour regulations, (4) promoting access to services and resources to recognise workers’ qualifications, (5) improving education levels and training capabilities to enter the labour market, and (6) conducting research to increase knowledge about labour conditions. Some programmes offering resources to elevate productivity, defined as market-oriented programmes, are targeted at formalised enterprises. They are included in this section since their impact could be indirect, as an incentive to formalise. This section also describes the Budget by Results and the *Crecer* (‘To Grow’) initiatives which entail the participation of several institutions in the plan to reduce poverty in the country. Some programmes related to temporary job creation and promotion of small entrepreneurship as a means to secure income-generating opportunities, which are relevant to the informal economy, are described within these initiatives since they have an explicit target toward the poorest and aim to reduce poverty using these means. Other coordination initiatives exist under the supervision of the Ministry of Social Development and Women and take the form of eight national plans that target key vulnerable populations such as women, the disabled, elderly, victims of violence, teenage and children. All these plans encompass programmes and projects already in execution by different ministries and institutions. Compared to the *Crecer* Strategy (‘To Grow’) they are smaller in scope. Some achievements, particularly related to three plans – the Plan of Equal Opportunities for Women and Men 2006–2010, Plan to Prevent and Eradicate Child Labour and the Plan Against Violence towards Women 2009–2015 – will be referred to where relevant but the report will focus on the *Crecer* Strategy in particular. The third section provides an overview of the regional and local budget administration as well as the participatory

¹ I acknowledge the claim of the Sindicato de Trabajadoras del Hogar del Perú which prefers the term ‘household workers’ (*Trabajadoras del Hogar*). The adjective ‘domestic’ is not accurate and can be seen as discriminatory. Domestic is related to domestication, which refers to the process by which animals are acculturated and made obedient to adapt to human life. Therefore, the use of household worker replaces the commonly used term domestic worker in this report.

channels. The fourth section analyses the contents of the provincial and regional Metropolitan Lima budget as well as progress in the participatory budget. This section highlights policies for targeted interventions on the selected informal occupations quoting differences in particular district policies. The report concludes by providing some recommendations. By discussing budget content, informal employment trends, and the reach of existing policies, this report aims to raise awareness of informal workers' visibility or invisibility in the contemporary public policy agenda.

Unemployment, Poverty and Informal Employment in Peru and Metropolitan Lima

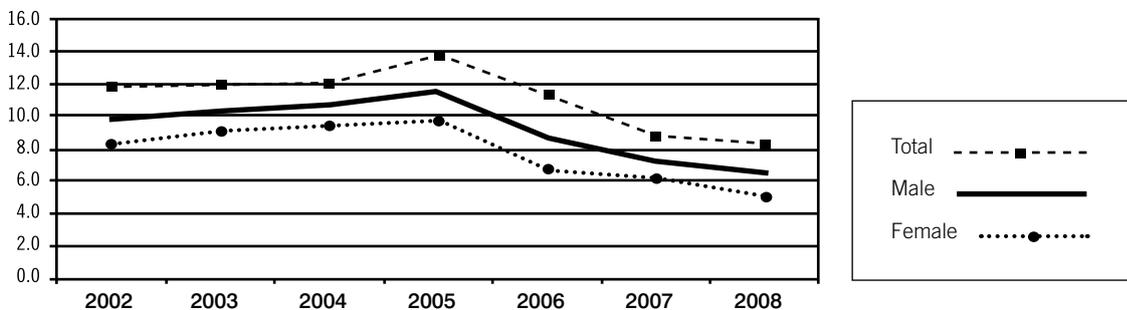
Peru is considered one of the fastest growing economies in the South American region. Since 2002, the per capita gross national product (GNP) has experienced a steady and positive annual growth from 3.7% in 2002 to 7.6% in 2007 (ECLAC 2008). Yet, the economic growth of the Peruvian economy in the last five years has not been reflected in increased labour opportunities sufficient to reduce the profound social inequalities in the country. Even with decreasing national unemployment rates and moderate increases in levels of income, the informal economy – comprised of unprotected jobs and unregulated enterprises – remains an important source of employment for the majority of the population. Also, official national statistics suggest that the incomes of informal workers have worsened over time.

Unemployment and poverty

Peru has around 27 million inhabitants. Its capital city, the province of Lima or Metropolitan Lima, represents 27.7% of the national population. Nationally, according to the Economic Commission for Latin America and the Caribbean's (ECLAC) estimates for 2003, 58.2% of the working population are either own account workers or unpaid family workers (ECLAC, 2008). In Metropolitan Lima, for the December 2008 to February 2009 trimester, the total economically active population (EAP)² is estimated to be approximately 3.9 million, of which 34.3% are independent workers, that is self-employed or employers. Among the metropolitan working population, female and male participation stand respectively at 44.1% and 55.9%; 71.8% of the total employment is related to small enterprises with less than 10 workers and 76.1% of employment is concentrated within the service and commerce sectors (INEI, 2009).

In the country, the unemployment rate³ has decreased steadily since 2005, from 9.6% to 8.4%. As shown in Figure 1, for Metropolitan Lima, the decrease of the unemployment rate has benefited more men than women. In terms of age groups, unemployment increased by 10% among the 14–24 age group and by 5.6% for the 25–44 age group while it decreased in 19.7% in the older age group (INEI, 2009).

Figure 1. Unemployment Rate by Gender, Metropolitan Lima 2002–2008



Source: Andean Labour Observatory (OLA)

Official poverty estimates for the country and Metropolitan Lima were calculated from the 2007 Housing and Population Census and its corresponding household survey. Nationally, non-monetary poverty, or

² The economically active population is the population of working age that in the reference week are either working or looking for a job.

³ The unemployment rate represents the proportion of the population of working age without a dependent or independent job. A person is considered unemployed if not working at least one hour in the week and having actively looked for a job at the time of the survey.

the proportion of the population living in households with at least one unmet need, represents 40.7% compared to 23.7% in Metropolitan Lima. Metropolitan Lima accounts for 16.2% of the total national population living in non-monetary poverty. Monetary poverty or the proportion of the population living with less than the income required to afford the basic consumption basket represents 39.3% of the national population and 18.0% of the population in Metropolitan Lima. Non-monetary and monetary extreme poverty stand respectively at 14.3% and 13.7% of the national population; and 8.7% and 0.9% of Metropolitan Lima residents (INEI, 2007).

While official poverty estimates do not report sex-disaggregated trends related to poverty, the ECLAC has calculated a female index of poverty which estimates the number of women for each 100 men that live in income-defined poor households. While female poverty has decreased relative to men in urban areas, female indigence or extreme poverty has overwhelmingly increased (ECLAC 2008). From 1997 to 2003, for every hundred men, there are 117 women who are indigent or extremely poor.

According to the ECLAC, while poverty rates for the employed population in Peru's urban and rural areas are estimated to be 39% and 72% respectively, independent/own account workers' poverty rates are correspondingly 11 and 5 percent points higher (ECLAC 2008). As one of the main characteristics of the informal sector is independent work or self-employment and women tend to be employed in these categories, the urbanisation of extreme poverty and its feminisation has a correlation with the lack of suitable labour opportunities for women in urban areas, without necessarily improving in rural areas.

Trends in informal employment and its characteristics

There are three methods to measure informal employment. The traditional definition of the informal sector refers to the proportion of the employed population in unincorporated or unregulated enterprises, that is, the non-professional self-employed, unpaid family workers, household workers as well as employees and employers in enterprises with up to 10 workers. A national series from 1997 to 2003 using this definition reports that informal employment increased from 61.9% to 64.9% during that period (ECLAC, 2008). A revised estimate excludes household workers and incorporates non-professional self-employed, employees and employers working in informal units that are non-registered in the taxation or public register system. Using this revised definition, the INEI reported in 2001 that 61.5% and 53.1% of the working population in Urban Peru and Metropolitan Lima respectively, was employed in the informal sector (INEI, 2003). Using this same definition, but including household workers, a series from 2002 to 2008 for Metropolitan Lima, estimated by the Andean Labour Observatory (OLA), reported a decreasing trend of informal employment from 61.5% to 55.6%.

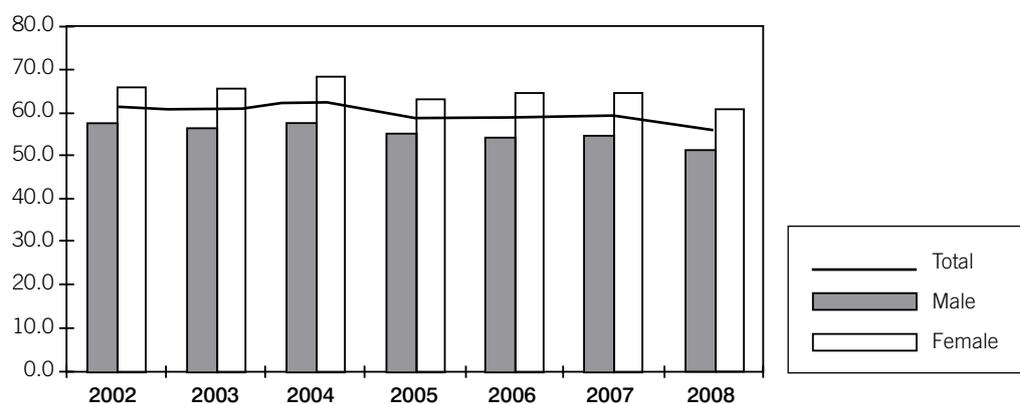
A third measure of informal employment estimates the proportion of the working population that does not have access to social protection. Nationally, unprotected labour represents 65% of the total employed population for 2007. Metropolitan Lima has 1,932,500 workers in this situation, representing approximately 59% of its employed population and almost one third of the national total of unprotected workers (INEI 2008). Based on the revised definition of informal employment, among Metropolitan Lima's informal workers the proportion accessing work-related health insurance is 5.4% and a social security or pension regime 7.3% (PEEL, 2007:67).

Trends in informal employment are not reported regularly and changes in methodology make it difficult to analyse trends. For instance, estimates based on economic units, such as the traditional and revised definitions, are lower than estimates based on social protection. The evidence compiled suggests that nationally informal employment is increasing, while in Metropolitan Lima it is decreasing, but that measured decrease may partly result from methodological issues, in particular whether or not household workers are included. No official estimates of informal employment are available for 2009. For the beginning of 2009,

some approximation can be provided by trends in underemployment⁴, also known as inadequate employment. A worker is underemployed (using weekly hours as a measure) if working less than 35 hours a week and declaring availability and willingness to work more hours, and underemployed (using income as a measure) if when completing 35 hours, his or her income falls below the basic family consumption basket. For December 2008 to February 2009, 45.8% of the working population in Lima fall in this category, with 14.7% sub-employed in terms of weekly work hours and 33.1% in terms of income (INEI, 2009).

National and metropolitan longitudinal information about basic characteristics of informal workers, such as gender, category of occupation, economic sector and income is also piecemeal. For 2009, Metropolitan Lima underemployment estimates in terms of hours and income suggest the proportion of underemployed women is higher than men, 57.2% and 54.3% respectively for women compared to 42.8% and 28% for men. OLA Metropolitan Lima estimates up to 2008 report a slightly higher proportion of men within the total employed in the informal sector, but a higher participation in informal employment for women. As shown in Figure 2, women's participation in informal employment remains higher than that of men and has experienced just a moderate decrease of 2.1 percentage points compared to 3.1 percentage points among men. Moreover, while the proportion of men in the informal sector increases the older the age group, women surpass men in the 15 years to 24 years age group. The differential age distribution suggests that women tend to enter the informal sector at earlier ages, given their lower educational achievement compared to men. Also, women tend to be more underemployed, suggesting that in terms of income and hours, they achieve lower levels of adequate employment.

Figure 2. Informal Sector Labour Participation by Gender, Metropolitan Lima 2002–2008



Source: Own calculation OLA raw estimates

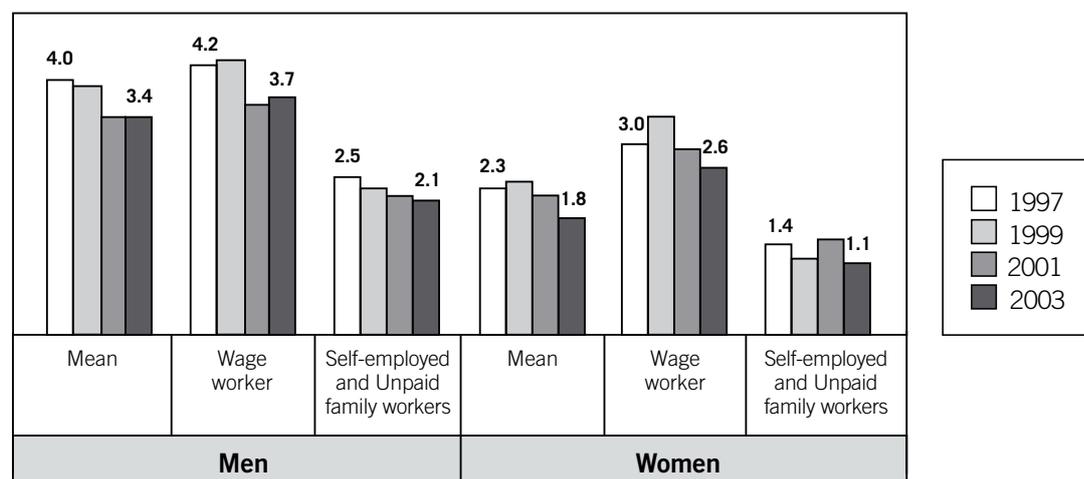
For 2007, the Ministry of Labour estimated that almost one third of informal employment in Metropolitan Lima is composed of the self-employed, and almost 20% by micro-enterprises' employers and employees (PEEL, 2007:68). From 2002 to 2008, OLA reports that participation in informal employment increased slightly in the industrial sector (14.1%), construction (7.1%) and transportation (13.3%). While also decreasing within the commerce and personal service sector by 4 percentage points, this sector still accounts for more than one third of the total informal sector.

⁴Recent estimates for underemployment and income are based on the Permanent Employment Survey (EPE) designed to follow trends by trimester in the labour market. ECLAC, the Andean Labor Observatory and the revised report of INEI to calculate informal employment rely on the ENAHO survey which is a household survey intended to measure trends in life quality and poverty, and which also incorporates a section of employment and income with special focus on independent workers.

Since 2002, there has been a moderate increase in wages for the employed population of Metropolitan Lima. Unfortunately, no trends were reported by informal status. Such estimates would have been useful to compare if the overall increase in income benefited informal workers who are increasingly independent, working within the commerce and service sector and within micro-enterprises. However, those characteristics correspond to the sectors or categories that have experienced more moderate increases for Metropolitan Lima it has been reported that the informal worker receives on average half of the monthly income of a formal worker, that is S/.759 compared to S/.1,580 for 2007 (PEEL, 2007:66).

In contrast to trends for Metropolitan Lima, ECLAC reported a national decreasing trend in income overall, from 2.7 to 2.0 times the cut-off value of the poverty line⁵ for the period 1997 to 2003. Figure 3 illustrates these national trends in per-capita mean income for women and men employed in the small manufacturing sector⁶, using the classical definition of informal sector. As shown, men tend to receive higher incomes than women, and self-employed and family unpaid workers earn even less for both genders. There is a declining trend in earnings which is clearer for women than men, particularly steep for female wage employees and closer to the poverty line for self-employed women (ECLAC, 2008).

Figure 3. Mean Wages in Informal Sector by Gender and Category of Occupation, Peru 1997–2003 (in multiples of the per capita poverty)



Source: Social Panorama, ECLAC 2008

The informal sector continues to be a major source of employment for the more vulnerable population, such as the young and women, but particularly for poor women. Precarious conditions of labour have remained despite the general improvement of income levels in Metropolitan Lima, showing that at least through 2003 even urban poor workers were also experiencing a lower return for their informal status. These estimates also suggest that the overwhelming majority of Metropolitan Lima's informal workers actually face what we might call four 'tiers' of informality: they (a) work in the low productivity sector, that most of the time is related to a subsistence livelihood (b) in units that are not registered in the taxation or public register system, or even within households not necessarily meant to be register in those systems (c) without work-related health insurance, and (d) without access to a social security or pension regime. Therefore issues on policy making may address some of these tiers and may actually imply the degree to which policy initiatives will have an impact on labour conditions of these workers.

⁵ The poverty line is calculated in relation to the cost of a basic consumption basket. The mean income in this case represent 'n' times the cost of this cut-off value.

⁶ It includes employees and employers within enterprises of less than 10 workers, self-employed, family unpaid workers and household workers. This definition is the traditional definition of the informal sector that does not take into account the legal status of the enterprise.

Who is the typical informal worker?

In order to identify the occupations that are more likely to be informal in the context of Lima, I use data from the 2007 ENAHO. I start by identifying the informal sector using the revised definition, that is, the employed population who work within enterprises that have less than 10 employees excluding independent professionals and registered enterprises. Sorting occupations starting by those with the largest number of informal workers, we identified 10 top informal occupations for Peru and Metropolitan Lima. Nationally, agricultural workers are the largest group, with 31.9% representation in the total informal employed population.

Table 1. Most Common Informal Sector Occupations, Peru and Metropolitan Lima 2007

National						Metropolitan Lima				
No.	Occupations	Total	% Total Informal EAP	% without social security*	% Female	Occupations	Total	% Total Informal Sector	% without social security*	% Female
1	Agricultural workers	4,190,565	31.9	94.1	40.6	Street Vendors	282,837	13.3	87.0	70.7
2	Retailers	889,842	6.8	86.4	77.5	Household workers	245,270	11.6	86.0	97.0
3	Street vendors	886,416	6.8	91.2	71.1	Retailers	227,903	10.7	78.7	77.1
4	Household workers	504,922	3.8	91.6	97.0	Drivers	165,395	7.8	62.9	1.1
5	Drivers	488,372	3.7	68.2	0.5	Unclassified Service workers	147,233	6.9	74.1	39.6
6	Unclassified service workers	414,771	3.2	78.2	39.7	Stall vendors	91,369	4.3	88.8	69.0
7	Stall vendors	280,261	2.1	91.8	68.2	Office cleaners	80,267	3.8	68.8	71.2
8	Office cleaners	272,663	2.1	77.3	75.8	Microenterprise managers	67,451	3.2	46.5	38.4
9	Cooks	252,013	1.9	86.9	90.0	Construction workers	59,533	2.8	71.5	0.0
10	Construction workers	190,927	1.5	77.9	0.5	Cooks	57,209	2.7	79.8	84.4

Source: Own calculations based on ENAHO Survey 2007

* Not contributing to a pension regime

As shown in Table 1, at the national level and metropolitan level street vendors and household workers are positioned in the top five informal occupations with a higher share of female participation and unprotected labour. Street vendors made up 6.8% and 13.3% of the total informal employed population in the country and Metropolitan Lima. As the most prevalent policy for this group has been relocation into roofed markets, stall vendors are essentially one end of a continuum for this occupational category. If we total the numbers, vendors account for almost 17.6% of the EAP in Metropolitan Lima. Household workers are the second largest group in the city reaching 10.7% of the metropolitan informal sector and with the highest female participation rate. Altogether, street/stall vendors and household workers represent almost 30% of the informal sector in Metropolitan Lima.

The third position in the city is composed of non-ambulatory retailers with almost 77.1% being women within this category. Other important predominantly female occupations are office cleaners and cooks, in position 8 and 9 nationally, and 7 and 10 in Metropolitan Lima. Only two occupations, drivers and construction workers, are predominantly male. Except for micro-enterprise managers, all top ten occupations show that almost two thirds or more consist of unprotected labour in terms of access to social security or a pension regime.

Waste pickers are not represented in the top ten occupations because it is not one of the most numerous groups in terms of main occupations reported in official surveys and censuses. Our exercise with the 2007

household survey showed 995 informal waste pickers in Metropolitan Lima, with the controls of being independent or employed in a non-registered small enterprise. Without these controls, using the 2007 Housing and Population census, 3,444 Metropolitan Lima residents reported that their main occupation was waste picking, 1,875 of which can be categorised as informal in terms of lack of social protection; that is, they do not access any form of health insurance, and 42.3% are women. It is important to highlight that surveys and censuses rely on the population within houses reporting their main occupation, while waste picking is more likely to be an occasional activity and is most likely to be an economic activity within homeless populations. Therefore, while the estimates produced by the ENAHO and census suggest a very small population of workers for whom waste picking is a primary occupation, it is likely to be a more widespread activity and remains an important group given their hazardous situation and evolving organisational activity. For example, according to specialised studies which approximate the number of informal waste pickers by the volume of waste collected, there are more likely to be about 17,600 informal waste pickers in Metropolitan Lima with earnings that oscillate between 2 to 3 dollars a day (AVINA, 2009; Recicladores sin Fronteras, 2008).

Issues for selected informal workers

Street vendors have at the top of their agenda the formulation of policies that allow them to access formalisation in a progressive and more inclusive way. Formalisation, ideally, is conceived as a process that entails the relocation to roofed markets, with capabilities to compete in a context in which they are facing increasing competition from supermarkets. Then, access to resources for credit, training and political channels are crucial to facilitate the formalisation process. While street vendors are more likely to occupy central locations and organise around street markets or '*paraditas*', almost 80% do not have a fixed post (Roever and Aliaga, 2008:6).

Licensing policies are related to certain vendors that sell specific products such as candies, handicrafts or particular foods or beverages. As workers, they also develop actions related to access of social protection systems, such as universal health insurance and an affordable pension regime. Since more than two thirds are women, work quality is also related to the double burden that women face as care and income providers. According to the 2007 Population Census, street vendors make up the largest proportion within women between ages of 20 and 49, 1.5% are less than 15 years old and 5.2% are between ages 15 and 19. Given this age breakdown, a significant proportion of street vendors are likely to be women who are simultaneously generating income through vending while caring for dependents.

The organisation activity of these workers dates back the mid-1950s. The Metropolitan Lima Federation FEDEVAL was constituted in 1979, and is currently working closely with National Workers Federations such the United Central of Workers (CUT) and General Central of Workers Peru (CGTP). Street vendors are recognised by the Supreme Decree No. 005 of 1991, which also prohibits government authorities from confiscating merchandise from vendors. The Metropolitan Lima Ordinance 002 of 1985 establishes that each district municipality should have a Mixed Commission to discuss policies for the sector and that half of the payment of *sis*a, a municipal tax for the use of public space, should be paid into a Social Assistance Fund to street vendors (FOMA). However, none of these regulations have been effective, as conflicts over public space have continued unabated and little legal-regulatory clarity with regard to vendors' rights has been achieved. For instance, while street vendors routinely use the legal system to advance their claim to a right to work, the Constitutional Court declared unfounded 18 out of 20 cases of street vendors opposing evictions (Roever and Aliaga, 2008:12), favoring Municipal decisions over public space. Moreover, while still collecting the *sis*a, few if any district municipalities in Metropolitan Lima have Mixed Commissions or FOMAs.

Recent organisational efforts relate to the incorporation of women representatives within national unions such as the Women's Network and Women's issues representatives within FEDEVAL, and also a greater involvement in actions against child labour. Other organisational activity tries to gather together representatives of street vendors and roofed markets with the common goal of assuring an effective and

competitive formalisation process, such as the case of Confederation of Street and Market Vendors' Organisations of Lima (CONFIAR). Some initiatives involve the promotion of group savings as a way to guarantee temporary permits to work while gathering enough resources to finance a roofed market project, involving also the need to increase awareness of police harassment and the violation of their constitutional rights. Some metropolitan organisations such as Broad Front of Autonomous Ambulatory Workers (FARTAA) are advocating that this initiative replace Ordinance 002 or be pronounced a law.

Household workers' main concern is the publicising and enforcement of the Law of the Household Worker No. 279986, approved in June 2003, which stipulates mandatory access to social security systems, an eight-hour work day, payment of two holiday bonuses in a year, 15 days of vacations and compensation for length of service, which is 50% of one monthly salary for a whole year of service. The organisational experience of these workers spans over 40 years, and several training centers and other support institutions have been working with them. As a national union, the National Union of Household Workers in Peru (SINTRAHOGARP) was formally established in 2006 and is affiliated to the workers' national union, CGTP. The union has achieved the declaration of a day for their own, every March 30, as the 'Day of the Household Worker,' to be commemorated nationally, and developed various activities to make an open statement against the social discrimination they face as workers. This year, they accomplished the abolition of the requirement of the use of a uniform in non-working hours and outside their work environment.

However, they are struggling with basic issues that are related to the law such as enforcement of the legal minimum wage, written contracts, paid vacations, maternity leave, severance pay and the effective resolution of claims related to their working conditions, which also entail problems of sexual harassment and unlivable environments. For 2009, in Metropolitan Lima, the Ministry of Labour estimates that 15.9% work 48 hours a week or less as the law establishes, 6.7% access health insurance, 8.7% pensions, and 47.4% have some years of secondary education (La República, 28/03/2009). Another study of the Ministry of Women and Social Development estimated that almost 28% had been a victim of sexual harassment (Vivanco, 2007). Household workers are predominantly women and 17% are less than 20 years old.

Most of these workers are migrants and come to the city to find a way to get formal education; however, employers do not necessarily pay for their education and instead treat them as servants. The National Institute of Statistics estimated for 2001 that 69% of children between 6 to 13 years old and 60% of teenagers from 14 to 19 years old who were not going to school in the country were household workers (Torres, 08/07/2008). Therefore, improvement of the alternative education systems and the effective resolution of claims are crucial not only for adults but particularly for teenage household workers. Moreover, among the initiatives to protect teenagers and to end their exploitation, Law N° 27337 (which establishes the Code for Children and Teenagers) has established that municipalities should implement a registry of teenage household workers, which is also an important policy to make visible these household workers for public policy and the resolution of claims. According to this law, household workers younger than 14 cannot work more than four hours a day or 24 hours a week, and those between ages 15 and 17 are limited to six hours a day or 36 hours a week.

Waste pickers are currently working towards the approval of the Waste Pickers' Law Project, presented to the Congress in 2008. This law provides for recognition of their occupation, their access to housing and social security policies, as well as to low rate credit and training to support their organisational efforts to be constituted as micro-enterprises. As an organisation, the National Movement of Recyclers of Peru (*Movimiento Nacional de Recicladores del Perú*) was founded in June 2008 in the context of the work of three non-profit institutions, Ciudad Saludable, Avina and Natura that were elaborating innovative projects for environmental social development. Its main objective is to improve the working conditions of waste pickers, by increasing their income levels through an associative process that enables the creation of small enterprises and contributes to environmental regulation by organising their working routines and recycling procedures. At the moment, through the Law of Solid Waste Management No. 27314 in 2000 and Ministry of Health Resolution No. 136 in 2009, waste pickers' associations are recognised as enterprises and provincial municipalities must organise, regulate and supervise their formalisation process. The General Directorate of Environmental Health (DIGESA) Resolution

No. 702 of 2008 also promotes the incorporation of waste pickers within The Guide of Solid Waste Management. In this sense, organisational efforts are also directed toward educating themselves on complying with regulatory procedures, and in collaboration with municipalities' programmes, on training residents to separate solid waste and participate in the implementation of collection centers and landfills.

The 2007 census reports that almost 4% of waste pickers are teenagers or between ages 15 to 19, with a higher concentration of males within this age group. As workers, other issues of concern are access to social protection, safety in their work environment, work stability and police harassment.

Across these three occupational categories, the population distributions differ by gender and age rendering a diverse set of policy concerns. Women are dominant within household workers with a higher concentration among the younger age groups. Within street vendors, women are predominant and both men and women are mostly between 20 to 49 years old. While waste picking shows a slightly greater participation of men, the gender distribution differs by age groups. Men are more concentrated within the younger age groups but the proportion of women, from age 30, rises and surpasses men between the ages of 40 and 44. Therefore, policies and the associated budgets may affect these occupational groups in different ways. For instance actions toward the protection of teenagers or child workers, women of reproductive age or to the population about to retire, while important issues for all occupations, will represent different priorities across their organisational efforts.

National Budget Analysis

The signature of several Free Trade Agreements (TLC) with the United States, and negotiations with Chile, Japan, and the European Union, among others, have raised expectations of major national and transnational private investments, not only for the extraction of natural resources but also within agro-industries and retail. However, as the economies of key commercial partners are embroiled in the global financial crisis, it is predicted that the dynamism of the Peruvian economy will decrease. For the years to come, the general aim in the national budget is to gradually reduce gradually public expenditure in the face of the expected deceleration of economic growth based on the performance of close commercial partners such as the United States and Europe. Thus, existing public expenditure is expected to be made more 'efficient' in terms of the state's social goals, which are the reduction of poverty and regional inequalities.

The *Crececer* Strategy, a coordination initiative under the direction of the Council of Ministers (PCM) which articulates actions across various programmes and projects within different ministries oriented to poverty reduction, and the Budget by Results (PpR) I, a methodology supervised by the Ministry of Economy and Finances (MEF) accompanying some of those programmes within the *Crececer* Strategy in order to improve budget allocation towards the achievement of prioritised state goals, are part of these efforts. Informal workers, particularly those in the most vulnerable groups are targeted within some aspects of the *Crececer* strategy but there is no explicit targeting of informal workers. The *Crececer* strategy covers nutrition, maternal-neonatal health, access to identity, achievement of basic learning and access to basic services and market resources areas of activity. For instance, women in poor rural or urban marginalised areas and their children are primarily targeted within the maternal-child health, nutritional and educational lines of action, and residents within the prioritised rural neighborhoods or districts in general are beneficiaries of the infrastructure projects that guarantee access to basic services and markets.

In mainstream public expenditure, the informal economy is targeted by a diverse range of initiatives primarily centered in the Ministry of Labour, but also widespread in other offices that are related to the sector such as Production, Agriculture and Health, among others. The President stated that by 2010 the goal is to reduce informality to 35% (León, July 26 2008). Therefore, policies oriented towards informal workers are intended to promote formalisation either by lowering costs of regularisation for small enterprises or easing access to social protection systems for workers. The promotion of 'formal' entrepreneurship is

tied to a set of programmes and policies that opens new market opportunities, within the state as well as the international market, and resources, such as credit and training, to increase productivity for small enterprises. Solutions for unemployment take the form of temporary employment programmes, and quality of work issues are covered by initiatives to increase social protection.

This section focuses on the analysis of national budgets for 2009. It starts by giving an overview of the budget administration, followed by an analysis of budget allocations for programmes targeting informal workers, and finally a detailed description of the PpR and *Crececer* initiatives to highlight issues that are related, even if not explicitly, to informal workers.

Overview of the budget administration

Budget management is coordinated by the National Public Budget Administration (DNPP) within the Ministry of Economy and the institutional process, and assessment is supervised by the National Decentralisation Council (CND).⁷ Budget allocations are proposed by the DNPP according to the Law of Responsibility and Fiscal Transparency 27245, modified by Law 27958, and the Law of Fiscal Decentralisation-Legislative Decree 955. A ceiling amount is established for each institution, including regional and local governments, based on their respective Annual Plans. The budget project is approved by the PCM and the President remits the project to the legislative branch to be published as a law, subject to congressional approval.

Until August 30th of each year, the president of the PCM and the MEF defend the budget projects in Congress. The projects are published in the Official Newspaper *El Peruano* and are remitted to the Budget Commission for approval. From September 1st to November 15th, ministers and public officials defend their income and expenses and explain their goals to this Commission. For approval, half of the votes plus one are required. If the Congress does not approve the budget by November 30th, the project remitted by the president will enter into execution. The budget is implemented starting the 1st of January to 30 December of the following fiscal year. Each institution can modify their budget in the course of the year by using their own assets, using new incoming donations, credits or redirecting more funding to some prioritised projects or creating new ones. Usually, budgets are modified by supplementary credits; greater income from *canon*, a general tax coming from the exploitation of natural resources, or other royalty (*regalia*), a compensation for the use of national property based on a percentage of the total sale of the resources being extracted; positive balances; or other resources coming from international cooperation.

The central administration of the national government consists of the institutions representing the executive (16 ministries), judicial and legislative branches, and their corresponding autonomous decentralised agencies, public universities, and constitutionally autonomous regulatory and supervisory offices or boards. The main sources of funding for all central administrative institutions are (1) Ordinary revenue which entails tax (rent, import, general sales and consumption taxes) and non tax (sanctions and fines for tax infractions, among others) revenue as well as capital revenue; (2) Direct collected revenue from services offered by all institutions; (3) Credit revenue; (4) Grants and transfers; and (5) Other determined resources such as public funds that have specific objectives such as mining, forest, fishing and energy canon or royalties.

The total public budget allocated for the fiscal year 2009 was S/.72,355 million, 17% of the GNP.⁸ Adjusted for inflation, the 2009 amount is equivalent to S/.67,843 million in 2008, which is less than the allocated budget of S/.70,795 million for 2008. Up to the end of May 2009, the modified budget, or the revised budget, was raised to S/.7,838 million. Even with the increase in national production, the boom of mining product prices, and a general increase of tax revenue, and fiscal pressure, the proportion that public expenditure represents of the GNP has decreased by about 1% compared to 2008. Compared to 2008, ordinary sources have proportionally increased while credit revenues have decreased for 2009 (See Figure 6). The central administration accounts for 60% of the total modified budget. Ordinary revenue funds

⁷ The CND is an intergovernmental organ, ascribed to the Presidency of the Council of Ministers, and composed by 1 representative of the President, 2 of the Council, 2 of the Ministry of Economy, 2 of regional government and 2 of local government (1 provincial and 1 district).

⁸ At the time of the budget, one US dollars was equal to S/3.14. In dollars, the total budget allocated for 2009 would be US\$ 23,043 million.

74.4% of the budget while 10.7% is by direct revenue, 6.9% with credit revenue, 2.5% with grants and donations and the rest with funds or *canon* resources.

Nowadays, Peru's territorial administration consists of 26 regions, 196 provincial municipalities and 1,282 district municipalities. As decentralisation advances, central administration institutions, composed mainly of Ministries and Autonomous executive units, are expected to work with regional and local governments, composed of provincial and district municipalities. Regional as well as local governments have their own methodologies of budget administration, which also entail a greater participation of their corresponding population in budget decisions. We will describe in detail their responsibilities and budget allocations in the following sections but we will emphasise in this section the programmes and initiatives in the central administration that call for a more participatory role of these instances of government where relevant.

Programmes and projects targeting informal workers

There are 17 programmes that could be related to the informal economy, but only eight, six of which are developed within the Ministry of Labour and Employment Promotion (MINTRA), directly target workers. These eight selected programmes currently receive S/.1,235 million, corresponding to 1.4 % of the total national modified budget⁹. All direct and indirect programmes, sub-programmes or projects relevant to the informal economy are summarised in Table 2 with their respective budget allocations, modifications up to end of May 2009, and sources of funding.

MINTRA has as its main objectives the implementation of programmes and projects to generate employment and improve labour conditions; the development of micro- and small enterprises (MYPES); and the promotion of social protection and professional training. MINTRA is composed of two sectors. The labour sector provides free services such as legal defense, labour inspection, promotion of the special labour regime for MYPES and the protection of under-aged workers and workers with disabilities. Within the functional scheme, these services are summarised in the sub-programme of regulation and labour control, which receives S/.30 million, mainly from ordinary and direct revenue.

The role of 'labour inspection' is to supervise private enterprises. In recent years, it has increasingly relied on orientation and training activities, rather than an inspection-sanction regime for MYPES. In other words, labour inspectors, rather than initially sanction a micro-enterprise, give assistance ('orientation') in the first visit and the fines take place only after further reports of contravention. For our purposes it is important to mention their achievements and limitations in overseeing labour regulations within the MYPES and the law of the household worker.

The special MYPE labour regime accords the worker the following rights: (1) A wage that should not be lower than the legal minimum wage; (2) 15 days of vacation per year; (3) a work day of 8 hours or a work week of 48 hours; (4) half of wage compensation for unjustified layoff; and (5) access to social security. Up to October 2008, 53,148 micro-enterprises have been registered in this special regime. Among labour inspection activities up to May 2008, MINTRA conducted five thousand inspections, as compared to ten thousand orientations. The beneficiaries for the former were more men than women, while in the second were more women than men. MYPES are eligible to receive a 50% discount on any labour violation fine. In the case of household workers, labour inspectors are limited to orientation actions rather than imposing sanctions for general issues concerning the Law of the Household Worker No. 279986. Given that a house does not constitute a private enterprise, inspectors cannot enter a household to verify the working conditions of a household worker. Recently, cumulative fines, consisting in 5% of a Tax Reference Unit (UIT) or S/.175 each time, have been established if an employer continues to impose on a household the use of the uniform after working hours or outside her workplace (La República, June 04, 2009). Still, several doubts exist with regard to inspectors' capacity to enforce this regulation and the Law N° 279986. For instance, up to August 2008, 3,040 inspections consisting of orientation visits were made but there was no report on effective sanctions (Torres, August 07, 2008).

⁹ Labour Inspection, *Mi Empresa*, Empleo Peru, Revalora Peru, PRO JOVEN, Basic Education for Everyone, APROLAB and SIS

Beyond labour inspection, there are other programmes that complement the publicising and defence of citizen's rights. The Ministry of Justice provides free legal defence services and free training services upon the request of a particular institution or association. It also provides targeted services that may be relevant to informal workers; its programme ALEGRA (Centre of Free Legal Assistance), for example, targets the population with scarce resources through a budget of S/.51 million. Protection and assistance for issues related to sexual harassment, with a particular emphasis on household workers, are also part of the National Programme against Domestic Violence (PNCVFS) with a budget of S/.17 million. Also, claims related to cases of abuse from public institutions or inconsistencies in regulation are the competency of the People's Defense Office. Its role is more advisory and it is not entitled to impose sanctions; however it provides free services and places topics relevant to workers in the public sphere.

The Labour promotion sector within MINTRA involves the development of policies to support MYPES (*Mi Empresa*); the development of the labour market (*Empleo Peru*); and the generation of employment policies and professional training (*Revalora Peru* and *Tu experiencia vale*), as well as the development of research, studies and statistics for labour market (PEEL). As a sector, their budget equals S/.10 million.

Mi Empresa is a formalisation programme oriented to MYPES, inaugurated in 2006 by MINTRA. It is currently going through some restructuring since, starting this year, it is being partially administered by the Ministry of Production. The programme, initially allocated S/.5.2 million and currently allocated S/.1.5 million (administered by MINTRA) consists of the coordination of several regulatory institutions to provide within local municipalities a complete institutional package of services and information for MYPES. Participant institutions are the Tax Revenue Office-SUNAT, The National Public Registry-SUNARP, the Municipal License Office, Labour registry and information services related to credit, assistance and training as well as state purchases or international market opportunities. The established goal is to formalise 300,000 MYPES in 2010, which constitute almost 72% of MYPES in the country (León, July 26 2008). This programme emphasises the need for coordination among different regulation institutions. As one of these coordination efforts, SUNAT shares data bases with labour inspection offices to ease their orientation duties. Further, SUNARP is coordinating with SUNAT to decrease the time for the registration of enterprises through affiliated notary offices. The Institute for the Defense of the Consumer and Copyright, INDECOPI, has also developed a decentralised strategy, establishing local offices in selected districts and areas with a bigger proportion of more productive businesses, to promote brand registration. For this year, the expansion of these services was allocated S/.3.5million. The efforts to promote formal entrepreneurship have also been implemented through free training workshops, and mobile trailers managed by the Financial Corporation for Development, COFIDE, a public enterprise that is supervised by MEF.

Within the activities of *Mi Empresa*, the project of *Mi Mercado* was launched in 2008. It entailed an infrastructure diagnosis of roofed markets and training assistance in managerial workshops for roofed markets associations. It also channels funding for infrastructure projects, using funds of the Programme *Construyendo Peru*, also operating within MINTRA, as part of the *Crececer* strategy to fight against poverty.

Allocated S/.1.8 million with direct revenue as the main source, *Empleo Peru* is a programme that connects job seekers to the job offers by registering enterprises and participants with the network. It also complements its services by providing assessment to job seekers. The network is establishing several municipal offices and also provides online information and registration. An evaluation study for the period 2001–2002 reported that the jobs obtained through this programme lasted 3.4 months on average, but longer for the more educated and young who were employed in medium to large enterprises. Programme participants also showed greater employment rates and slightly higher hourly wages after the follow-up year compared to non participants with the same age, gender and educational characteristics (Chacaltana and Sulmont, 2004:279–280).

The programme for the Generation of employment policies and professional training is currently allocated S/.4 million from ordinary and direct revenue and it is composed of two initiatives. The programme *Revalora Peru* is a labour programme oriented to generate labour opportunities and training possibilities to workers being laid off or enterprises affected by the international crisis. It prioritises services to youth, women and disabled people

by partially using the other programmes managed within the MINTRA. Accompanying these efforts for labour restructuring are also training offers from MINEDU in the Support Programme for the Professional Formation and Labour Insertion, APROLAB, which is allocated S/.84 million. Initiated in 2004 with sources mainly coming from grants of the European Community Cooperation, APROLAB targets Ayacucho, Piura, Ica, Cajamarca, La Libertad, Lima and Puno regions by offering competitive funds to execute specific training programmes articulated with the needs of a specific sector within the region. There is no particular gender approach, however there has been a massive participation of women despite some limitations such as the access to land tenure requirement for some training programmes (Roerder et al., September 2008:31).

The second initiative within MINTRA, inaugurated in February of this year, is 'Your experience counts' (*Tu experiencia vale*) which consists of a certification programme (initially targeting household workers) that consists of training and evaluation of household skills to recognise professional skills. The cost of participation is S/.20.

PROJOVEN, allocated S/.51.3 million, gives technical training for 16 to 24 year olds. It connects a number of training centers that give courses in required skill areas with enterprises currently soliciting practitioners within the MINTRA network. PROJOVEN registration is free, and is open to young people that meet conditions of poverty or lack of opportunities for higher education. From 1997 to 2005, there were 13 application announcements, and the number of participants, both men and women, has increased with each call, but the participation of young mothers has shown a slight tendency to decrease (PROJOVEN, 2006). After six, twelve and eighteen months, some studies suggest that programme participants experience a positive impact in terms of wages and job stability (Chacaltana and Sulmont, 2004:254).

Another option to guarantee further education for young people and adults is provided by the Programme of Basic Education for Everyone of the Ministry of Education. This programme, allocated S/.618.7 million with 5% coming from grants, gives loans at a 12.4% annual rate to pursue higher and technical education. The loan can be paid back after one or two years and ranges from S/.3,500 to S/.4,000 for pursuing technical education and from S/.6,000 to S/.8,000 for those seeking a bachelors degree. Within these programmes, there is also a component of primary, secondary, special and alternative education. Alternative education directed to night schools, in which most students are household workers, received S/.1, 480,025 in the modified budget.

In terms of social protection, health insurance is expanding in coverage at a greater pace than pensions for workers. Launched in 2001, the Integrated System of Health (SIS) is an executive unit supervised by MINSA, currently allocated S/.442 million. It targets the uninsured population that can not afford work-related health insurance. It has subsidised and semi-subsidised components that provide health services using the already established public health infrastructure. The subsidised component is oriented toward the extreme poor and the semi-subsidised to those individuals and families with a monthly minimum payment capacity. A person earning up to S/.700 soles can obtain an individual health plan for S/.10 and, if earning up to S/.1,000, monthly payment is S/.20. For S/.30 a month, a family whose income is up to S/.1,600 can cover the whole family, including children less than 18 years old. As at June 2008, 54.6% of the population was insured and 10,358,793 insured under SIS, representing 30.4% of the total insured population compared to 18.5% insured by work-related health insurance (ESSALUD). Only 61,609 are insured under the semi-subsidised component.

The National Pension Office (ONP), which constitutes the public pension system, is currently allocated S/.4, 751 million. In Peru, a dependent worker must be affiliated to a pension regime by law but they can opt for the public or a private system. An independent worker, that is a self-employed person or an employer, can 'opt' to contribute to a pension regime. Nationally, the working population affiliated and contributing to a pension regime amounts to only about 37.5% and 15% respectively, with independent workers the least well covered (MEF-MTPE, 2005). Compared to 735,612 affiliates until April 2009 in the ONP, the private system has 4,351,783 affiliates, 35% of them being women. Despite the preference for the private regime, the ONP provides comparatively the lowest package of the market for independent workers and extends packages of coverage for household workers. The minimum monthly contribution for independent and household workers is S/.72, based on 13% of the current minimum wage. Since

the implementation of an independent pension regime package, the annual registration average for independent workers has moderately risen from 9,433 in 2003 to 13,031 in 2008. No statistics to date are reported for the advances on registration for household workers.

Not related to the worker but vitally important for the informal economy, the Commission for the Legalisation of Informal Property (COFOPRI) is an office falling under the Ministry of Housing and Construction (VIVIENDA) that since 1996 has a mission to register and secure tenure through legalisation of informal property, mostly residential but also commercial, e.g. roofed markets within informal human settlements. Currently allocated S/.123 million, COFOPRI gives free assistance to residents and manages all the paperwork, speeding the process of obtaining a title to a maximum of 45 days. Residents have to pay the publication fees and the later registration of their individual property in the national public registry. One of the key objectives of the programme has been to integrate informal property to the real estate and financial market, and recent actions involve the promotion of credit through three main activities: campaigns to increase registration of property, training seminars on the benefits of credit, and the sharing with credit institutions of their database of formalised families. Almost 68% of COFOPRI beneficiaries are poor (Apoyo Institute, 2000). In 2004, a World Bank study reported that COFOPRI has given 1.4 million titles, of which 630,000 were transferred to the real estate market. The Bank calculated that on average property values increased by 20% to 30%. It is estimated that 66% of beneficiaries were women and the amount of credits guaranteed by mortgages in the country increased from \$ 66 to \$ 562 million dollars (Varela, March 2008).

Many controversies remain, however, regarding the extent to which poor families increase their access to credit in private banks through formalisation. Based on a two year follow-up study of formalised and informal family owners, Calderon (2004:10) found that 48% of families with formalised houses in 1998 accessed credit, but from public institutions rather than from private banks, compared to 26% of families with informal houses. For 1999, the proportion of families with formalised houses accessing credit was reduced in 38% compared to 21% of families with informal houses Calderon (2004). As shown by the pace of the reduction in the access to credit, and the preference for public funds rather than the private financial market, it can be inferred that credit through securing tenure may represent a risk rather than opportunity for poor families. Moreover, as reported in 2003, while credits with mortgages have nationally increased, the proportion of families with formalised houses represents only 1.5% of the total credit applicants Calderon (2004:11).

In terms of the study of the informal employment, two institutions provide basic statistics and specialised studies of the labour market. Within MINTRA, the Studies, Research and Statistics Development Programme (PEEL), currently allocated S/.3.1 million, provides annual reports on the labour market and conducts a specialised survey on levels of employment. The National Institute of Statistics (INEI) conducts household surveys, trimester employment surveys and the national population and economic censuses. Allocated S/.42 million, this year, it is conducting the economic census and a specialised survey on street vendors. While both institutions provide statistics on the informal sector, they do not regularly produce indicators of informal employment with disaggregation by gender or income, among other variables, that would be necessary for a more thorough study.

Except for the programmes that focus on research, the set of policies described in this section and available to the worker target the last three 'tiers' of informality which relate to the formalisation of the enterprise and labour through the expansion of health insurance coverage and a pension regime. On the one hand, programmes and projects lowering the costs of access to social protection for particular 'hard' spots of informality such as the microenterprise, household work, and the self-employees are pioneering these efforts but the capacity of enforcement of labour regulation within formalised economic units or outside private enterprises remains questionable. This situation partially explains the success in expanding health insurance coverage through non-labour centered schemes that remove employer responsibilities. On the other hand, options for further education and elevation of skills articulated to specific sectors' demands are also promising particularly for the young, but there is still little evidence on how they will impact labour conditions in the long run. Additionally, formalisation of land ownership, while beneficial for stability, does not necessarily, as presumed, increase capital for investment.

Table 2. Informal Workers/Enterprises Targeted Programmes and Projects' Budget Allocations Across Executive Units, (S/. New Soles)

Purpose	Executive Units	Programmes/ Sub-programmes	Projects/activities	Budget Allocated	Modified Budget 31-May-09	Sources of funding		
						Ordinary revenue	Direct revenue	Grants & Transfers
Supervises and promotes compliance with labour regulations	MINTRA	Regulation and Labour Control	Regulation and control of the labour relation	30,590,089	30,786,262	18,054,075	12,677,954	
Advocates for constitutional rights of vulnerable populations	DP	Defense of citizens' rights	Defense of constitutional rights and modernisations of services	19,438,735	25,397,374	23,035,735		2,361,639
Advocates for constitutional rights of vulnerable populations	MINIUS	Defense of citizens' rights	Access to justice for population with non sufficient economic resources	56,453,689	51,502,155	51,047,801	454,354	
Defends women from domestic violence	MINDES	PNCVFS	Support to the citizen and family and prevention of domestic violence	17,099,907	17,194,540	15,180,129	166	2,014,245
Promote formalisation through assistance for MYPES	MINTRA	Labour Promotion	Development of policies for the promotion of MYPES (<i>Mi Empresa</i>)	5,234,107	1,501,984	204,761	1,297,223	
Promote compliance with enterprise/copyright regulations	INDECOPI	Market Efficiency	Installed capacity extension of services to the citizen	3,000,000	3,500,000		3,500,000	
Ease communication of job offer between employers and employees	MINTRA	Labour Promotion	Development of the labour market (Empleo Peru)	1,859,673	1,859,673	59,361	1,800,312	
Generates employment policies and professional formation	MINTRA	Labour Promotion	Generation of employment policies and professional formation (Revalora Peru)	3,390,834	4,013,756	1,989,301	1,814,225	
Eases access to the labour market for young population	MINTRA	PROJOVEN	Labour Training		51,342,275	37,187,842	239,217	315,500
Promotes higher education	MINEDU	Education for everyone	Technical education, primary education for adults and scholarships	414,442,522	618,777,515	533,228,000	46,874,917	38,674,598
Improves educational levels and redirect training toward high demand occupations	MINEDU	APROLAB	Funds training programmes for Ayacucho, Piura, Ica, La Libertad, Cajamarca, Puno and Lima	60,975,267	84,154,799	9,812,188		74,342,611
Increases coverage of health insurance	MINSA	Integral health Insurance (SIS)	Various	429,760,000	442,978,159	420,560,000	9,200,000	13,218,159
Increases access to social security schemes for independent and employers of small enterprises	ONP /1	n.a	n.a	4,751,659,000	4,751,659,000	2,245,965,800	199,700,000	2306247000*
Promotes entrepreneurship by easing access to resources and market opportunities	VIVIENDA	COFOPRI	Management and Urban development	111,800,000	123,769,425	93,061,222	8,541,728	1,866,475
Performs research oriented to assess quality of labour markets	MINTRA	Labour Promotion	Development of studies, research and statistics (PEEL)	2,524,446	3,154,126	1,434,204	1,719,922	
Performs research oriented to assess quality of labour markets	INEI	Public Information	Produce specialised and basic information on life quality and economic activities	38,994,365	42,137,843	38,979,895		3,157,948

Source: MEF Portal, Own Elaboration

Market-oriented programmes and projects indirectly related to informal workers or enterprises

In light of the Free Trade Agreements, several programmes are oriented towards developing market competitiveness of key economic sectors through the promotion of formal entrepreneurship and the guarantee of fair competition. Most of them aim at encouraging exports and increasing productivity among MYPES, and they may indirectly open new venues for those working in the informal economy. It is important to point out that the National Direction of Micro and Small Enterprise (CODEMYPE) still falls under MINTRA, which registers MYPES and designs, evaluates and coordinates policies oriented to this sector. The last National Plan of MYPE 2005–2009 is being revised to elaborate a new plan in response to current demands for competitiveness under the Free Trade Agreements involving greater participation and coordination between ministries with respect to each economic sector.

Table 3 summarises these programmes with their respective budget allocations and specifications. Market-oriented policies are mainly funded through ordinary revenue; just 1% comes from grants and loans. The 14 programmes across different ministries and economic sectors add up in the modified budget to S/.346 million, approximately 0.3% of the national modified budget. The Ministry of Energy and Mining is not included since there is no explicit programme to promote small-scale mining besides the general registration, control and dissemination of information about such activities. The PCM has a general programme, allocated S/.214,761, supporting project management and evaluation of initiatives promoting exports; it is not focused on one sector but aims to contribute to the different efforts across ministries.

The Ministry of Production (PRODUCE), is oriented to extractive and manufacturing sectors. The promotion of fishing, which also involves MYPES but without a particular programme that targets them, is currently receiving S/.4.4 million. Within industry, the programmes of industrial promotion and promotion of trade receive S/.10.7 million and S/.60,000 respectively, while there are six specific projects to develop economic circuits¹⁰ that receive S/.8.9 million. Promotional programmes are oriented to broader technical assistance, through online seminars, and advertisement campaigns, such as '*Comprale al Peru*'. For specific projects, participation requires prior formal status and compliance with industrial and fishing regulation. Specific projects for economic circuits are focused on the acquisition of capital goods.

PRODUCE also is in the process of implementing a programme within the industry sector targeting MYPES (S/.7.8 million) incorporating elements for competitiveness of *Mi Empresa* project. Actions so far entail the promotion of MYPES through state purchases, registration of the Center for Technological Innovation, the MYPE plaza project that provides information on MYPES opportunities, certification of product quality, and some online services for evaluating exports' potential for selected MYPES. All these services are provided free of charge to formal MYPES, except from the product certification which entails a payment of 7.62% of 1 UIT (approximately S/.270) and takes up to 14 days. It is expected that PRODUCE will be the main articulator of actions for MYPE within the market-oriented policies among specific economic sectors' ministries. The delimitation of responsibilities between MINTRA and PRODUCE in relation to MYPE policies is still under discussion but some transfers have been already approved.

In the Agrarian sector, MINAG executes two programmes and 20 additional projects. First, the programme of market efficiency (S/.13 million) aims to increase agrarian productivity, including eight components: (1) management for agricultural development; (2) pro-Amazon activities; (3) supervision of productive chains and agricultural agreements; (4) agricultural information; (5) state purchases; (6) promotion of mechanisms for agricultural profitability; (7) promotion and articulation of public and

¹⁰ Economic circuits are made up of transactions in goods and services between the manufacturing sector and household economies.

private agricultural investment projects; and (8) the capitalisation of agricultural insurance. This last component was initially allocated S/.2.5 billion and only 800,000 so far has been implemented due to deficiencies in information that are planned to be solved in the coming year. The agrarian insurance serves to cover agricultural production against contingencies such as natural disasters and loss of crops or animals due to disease. The total project costs are estimated at S/.40 million and for the beneficiary the cost ranges from S/.75 to S/.150 per hectare according to their location and poverty situation. Also, some other small insurance packages are planned to be included in case of accidents or deaths.

Second, the Programme for the Compensation of Competitiveness was created in 2008 after the signature of the Free Trade Agreement with the USA and it is expected to last at least 5 years. Allocated S/.160,000 for 2009, it is oriented to increase the competitiveness of medium to small agriculture enterprises, through the promotion of partnerships between MYPES or associability [forming of associations, cooperatives, etc], and the adoption of environmental technologies, focusing on maize, cotton, and wheat crops. It aims at reducing risk for agricultural entrepreneurs by 30%, making them more suitable subjects for credit. The programme is directed to partially cover investment costs related to the adoption of new technologies, to support the payment of the highest rank personnel of the associations and to partially cover association costs. Within the MINAG, there are also 20 projects, representing a total of S/.8.8 million, under the market efficiency agriculture sub-programme that includes a variety of activities that involve reforestation, promotion of certain plantations, and irrigation as well as infrastructure projects to promote competitiveness of agrarian activities.

Complementing MINAG and other economic sectors working in the Andean region, SIERRA EXPORTADORA is an executive unit under the supervision of the PCM that targets efforts to widen market opportunities for the Andean Region by strengthening associability, introduction of new technologies, technical assistance and access to new markets. Currently receiving S/.12,890 million, distributed to 15 regional centers, it is conceived as a programme to promote more employment opportunities, and reduce poverty. While it promotes productive activities using Andean crops, such as artichoke, avocado, and quinoa, among others, it also includes other important activities according to different criteria; for example, textile participants are selected on the basis of their capacity for economic growth and competitiveness.

In the case of Commerce, the MINCETUR within its mainstream commerce promotional activities has one project directed to Gamarra, an agglomeration of textile microenterprises, which involves the establishment of an office providing services and promotion of foreign trade estimated to cost S/.155,880. The Commission for the Promotion of Exports (PROMPERU), coordinated by this ministry, implements several other activities related to MYPES in general which total S/.14.2 million. These activities are related to the training and dissemination of information to promote exports. Seminars and training workshops are provided for a participation cost of S/.10 per day to S/.20 soles for four sessions depending on the topic.

Table 3. Market-oriented Programmes and Projects' Budget Allocations Across Executive Units, (S/. New Soles)

Executive Units	Programmes/Sub-programmes	Projects/activities	Budget Allocated	Modified Budget 31-may-09	Sources of funding			
					Ordinary revenue	Direct revenue	Grants & Transfers	Credit Revenue
PCM	Support to improve productive offer and ease exterior commerce	Project management		214,761	7,523	207,238		
PRODUCE	Fishing	Promotion of the fishing production	4,522,837	4,398,617	2,648,860	1,749,757		
PRODUCE	Industry/Promotion of Trade	Promotion and commercialisation	60,000	60,000		60,000		
PRODUCE	Industry	Industrial promotion	7,238,426	10,704,992	4,782,466	5,922,526		
PRODUCE	Industry	Development of policies to support MYPES		7,866,262	2,202,229	3,639,903	2,024,130	
PRODUCE	Industry	6 projects (Wood Sector-Lima-Pucallpa, Pisco Production-Ica, Pisco, Cascas, Agroindustry-Arequipa, market facility Lambayeque etc)	8,577,053	8,926,139	8,864,113		62,026	
MINAG	Programa De Compensacion Para La Competitividad	Various	160,000,000	160,000,000	160,000,000			
MINAG	Market Efficiency	Promotion of the agrarian competitiveness (including agrarian insurance, state purchases, economic circuits, statistics and pro Amazon activities)	21,905,024	13,672,331	13,672,331			
MINAG	Market Efficiency/Agriculture	20 projects of reforestation or infrastructure for the promotion of particular agrarian activities	5,559,010	8,766,466	8,752,737		13,729	
MINCETUR	Commerce	Construction of an office to provide foreign commerce services to MYPES in Gamarra		155,880	155,880			
MINCETUR-PROMPERU	Commerce	Statistics, Market development, support to enterprise management	13,916,096	14,247,857	10,916,096	3,331,761		
MINCETUR-PROMPERU	Tourism	Promotion of Peru image, internal tourism, international tourism	67,650,480	69,805,640	67,040,480	2,765,160		
MINCETUR-COPESCO	Tourism	12 Projects to improve conditions of tourism sites (Lima Art Museum, Paracas bay, Tumbes Manglar, etc)	28,420,400	31,148,222	31,148,222			
MINCETUR	Tourism	5 projects related to the construction of Center for the Technological Innovation of Handicraft Production (CITE)	10,055,629	12,273,448	6,885,988	3,988,689	27,598	1,371,173
			340,794,955	346,204,476	329,966,925	21,665,034	2,127,483	1,371,173
					95.3%	6.3%	0.6%	0.4%

Source: MEF Portal, Own Elaboration

In the case of Tourism, PROMPERU manages the promotion of tourism programme that entails the promotion of Peru's image, internal and international tourism, receiving S/.69.8 million. The National Tourism Plan (COPESCO), another executive unit under the supervision of this ministry, is implementing 12 projects to improve tourist infrastructure focusing on zones with prevalent poverty which may entail opening new market opportunities for their residents. Within the mainstream expenditure of MINCETUR fall five projects to implement a Center of Technological Innovation for handicraft activities. Small entrepreneurs that belong to handicraft organisations are key beneficiaries in these projects.

Also related to the support of MYPES, but not within the public budget, COFIDE acts as a second floor bank injecting money to other banks to promote credit among MYPES. Their goal for 2009 is to place US \$320 million to ease credit access to MYPES. Additional initiatives that will ease exports in all sectors are the New Customs Law to be implemented starting January 1 2010 which establishes a simplified system targeting MYPES and is expected to reduce their costs to export from 15% to 20% according to the volume and frequency of exports.

The focus on competitiveness may entail a specific target within MYPES, focusing on those with more potential for growth. In this respect, the ease of formalisation, while important, may not be crucial if not combined with efforts geared toward organisation and economic promotion. The Global Entrepreneurship Monitor estimated that Peru has the highest index of entrepreneurship in the world, around 40.3%. Still most of these entrepreneurs are within the informal sector. Even if formalised, some survivalist entrepreneurial activities can be potentially excluded due to the more specific target of current promotional programmes or projects. It is crucial to redefine how survivalist entrepreneurs will fit within an economic but also social development approach within the discussion of the CODEMYPE's future National Plan.

Against poverty initiative: Budget by Results and Crecer National Strategy

In the context of decentralisation, the Strategic Planning Budget has been modified to introduce the Budget by Results (PpR) methodology for specific institutions of the State including regional governments. PpR, approved by Law 28927 in 2008, implies a new perspective in administering and managing public expenditure. The methodology's basic foundations, proposed and developed by the DNPP, are the integration of budgeting and planning, targeting the resolution of critical problems. It focuses on poverty alleviation, under the National Strategy '*Crecer*' ('To Grow'), which entails coordinated actions across budgets from five institutions: Ministry of Education, Ministry of Women and Social Development, Ministry of Health, Ministry of Transport and Communications, Registry of National Identity and Civil State and Regional governments. Some ministries, while not in the Budget by Results Law, have also implemented prioritised actions under *Crecer* and are participating in the coordination and discussions within this initiative under the supervision of the Inter-ministerial Commission of Social Affairs (CIAS). The Budget by Results does not entail an extra fund for its execution. Its central role is the coordination of activities that entail the already relevant functions of the selected state institutions. It requires that regional governments prioritise their internal actions and budgets to achieve these results. Local governments, while not included in the Budget by Results Law, are encouraged to delineate actions that can complement or reinforce the orientation of the state in these efforts using their participatory techniques.

Table 4. Budget by Results and Greener Programmes and Projects' Budget Allocations Across Executive Units, (S/. New Soles)

Lines of Action	Executive Units	Institutional Programmes	Activities/Projects	Budget Allocated	Modified Budget 31-May-09	Sources of funding (based on Modified Budget)			
						Ordinary revenue	Direct Revenue	Grants & Transfers	Credit Revenue
Nutritional Programme	MINDES-PRONAA	Social Assistance	Articulated Nutritional Programme	213,195,235	253,652,556	228,754,996	--	24,897,560	--
	MINDES-WANAWASI	Social Assistance	Integral attention to children less than 3 years old	45,684,733	45,662,095	45,662,095	--	--	--
	MINSA-SIS	Basic Health	Articulated Nutritional Programme	84,255,100	92,160,274	84,255,100	--	7,905,174	--
	MINSA	Individual Health/Basic attention	Articulated Nutritional Programme	22,937,351	28,699,565	22,587,367	2,086,398	4,025,800	--
	MINSA	Individual Health/Specialised attention	Articulated Nutritional Programme	--	573,284	365,636	24,600	183,048	--
	PCM-Juntos	Social Assistance	Improve nutrition among children younger than 36 months	167,507,777	167,507,777	167,507,777	--	--	--
Maternal and Neonatal Health	PCM-Juntos	Social Assistance	Improve nutrition among children older than 36 months	265,519,809	265,519,809	265,519,809	--	--	--
	MINSA-SIS	Basic Health	Neonatal & Maternal Health	6,645,673	7,337,090	6,645,673	--	691,417	--
	MINSA-SIS	Specialised Health	Neonatal & Maternal Health	76,913,029	81,526,829	76,913,029	--	4,613,800	--
	MINSA	Collective Health/Basic Attention	Improvement in primary maternal and infant health access (Ayacucho)	--	50,000	--	--	50,000	--
	MINSA	Collective Health/Basic Attention	Improvement in primary maternal and infant health services (Ayacucho)	--	70,800	--	--	70,800	--
	MINSA	Individual Health/Basic attention	Neonatal & Maternal Health	41,530,879	45,037,554	40,322,615	2,288,976	2,425,963	--
	MINSA	Individual Health/Specialised attention	Neonatal & Maternal Health	62,823,798	75,673,730	64,329,033	3,987,193	7,357,504	--
	RENEC	Social Assistance	Newborn children access to identity in urban and rural areas	5,481,009	5,074,559	5,074,559	--	--	--
	RENEC	Social Assistance	Access to ID card for girls, children and adults in urban and rural areas	22,354,339	22,760,789	22,760,789	--	--	--
	MINEDU	Basic Education/Initial Education	Achievements for Ill graders	275,257,462	222,678,868	222,678,868	--	--	--
Access to basic social services and market resources	MINEDU	National Literacy Programme	Literacy for adult population	85,000,000	85,000,000	85,000,000	--	--	--
	DECENTRALISED PROVIAS -MTC	Communal Roads	Access to basic services and market opportunities	41,580,651	51,943,116	45,545,009	1,894,671	2,850,045	1,853,391
	DECENTRALISED PROVIAS -MTC	Ground Transportation	Access to basic services and market opportunities	93,304,206	197,055,252	51,789,248	--	--	61,865,329
	DECENTRALISED PROVIAS -MTC	Bridle paths	Access to basic services and market opportunities	16,329	2,922,527	711,968	--	--	2,210,559
	MTC-FITEL	Telecommunication Services	Increase access to rural population to the telecommunication market for towns of less than 3,000 inhabitants	49,724,057	64,811,062	--	64,811,062	--	--
	MEM	Rural Electrification*	Electrification for poor rural areas	311,960,480	447,951,028	211,625,708	34,651,320	4,430,000	45,899,000
	VIVIENDA	Water for everyone	Attention to emergency areas, electrification and sanitary service	869,701,459	522,731,244	263,559,649	1,069,396	69,180,019	188,922,180
	VIVIENDA	PIMBP	Infrastructure improvement of poor towns and neighborhoods	87,037,350	171,610,159	169,916,783	1,693,376	--	--
	MINDES-FONCODES	Municipal programmes for the attention of basic services & 'improving your life' programme	Construction of water, energy, sewage, health and educational infrastructure	43,887,226	41,762,358	7,222,228	--	17,660,460	16,879,670
	MINAG-Agrorural	PROABONOS, MARENASS, PROSAMER, PRONAMACHS	Various	185,103,687	198,956,513	89,200,743	25,329,400	--	84,426,370
	MINTRA-	Construyendo Peru	Various	--	76,307,807	72,257,055	4,050,752	--	--

Source: MEF Portal, Own Elaboration

* S/51,345,000 from canon

Crecer reaches 880 districts in 21 out of 26 regions in the country which make up the first quintile of poverty in the country. It incorporates poor rural and urban settlements, areas affected by natural disasters and areas with the highest prevalence of child malnutrition. After the selection of prioritised areas, the INEI registers beneficiaries. While not explicitly targeting informal workers, these workers are more likely to be poor and living within targeted areas for intervention and may benefit by the improvement of living conditions. Nationally, there are five strategic programmes with the following goals: (1) a nutritional programme that targets children less than five years old to reduce malnutrition from 25% to 16%, (2) a maternal and neonatal health programme that aims to reduce maternal mortality from 185 to 120 deaths per 100,000 births and infant mortality from 17 to 15 deaths per thousand births, (3) a basic learning programme that is oriented to achieve adequate reading and mathematical skills for almost 35% of second graders, (4) an access to identity programme to increase to 72% the percentage of the population with a national identity card, and (5) a programme oriented to assure the poor rural population geographical access to local markets and basic social services. Table 4 organises programme budget allocations and sources of funding by lines of action. The Crecer and PpR budget approximates S/.3 billion funded mainly by ordinary revenue, but with 12.6% of credit revenue.

The area of children's nutritional assistance brings together efforts from five institutions representing 27.6 % of the total *Crecer* and PpR budget. Under the supervision of MINDES, the National Programme of Nutritional Assistance subsidises the community kitchens serving the vulnerable population. The WAWAWASI programme implements nutritional support for children under three years that are part of their day-childcare services. The MINSA in its basic and specialised care programme also incorporates a nutritional programme, as the SIS does within their basic health care plan. Focusing on rural districts that were hit by political violence and with current high extreme poverty rates, the programme Juntos, coordinated by the PCM, gives an incentive of S/.100 to pregnant women and/or single parents with children under 14 on the condition that they register them in the National Identity System, ensure that the children go to school, and agree to periodic pre-natal check-ups or health check-ups and nutritional assistance for their children. One of the components of such programmes also supports a nutritional programme for children above and below age 3.

Given the double burden and extended working hours that many working parents in the informal economy face, the nutritional programme complements parent's efforts to secure basic nutrition for their children. The expansion of coverage of childcare facilities in the WAWAWASI programme, while not a priority in the *Crecer* strategy, could theoretically benefit informal workers' children who, without such assistance, are often brought to their parents' hazardous workplaces. Some elements of this programme permit the extension of health care services by the cooperation of public institutions willing to cover infrastructure costs. The programme subsidises payment to the care personnel and the parents receive the service at a lower cost.

The maternal and neo-natal health area of activity is composed of six sub-programs under the supervision of the MINSA and SIS, adding up to 6.8% of the *Crecer* and PpR budget. The programmes target poor pregnant women who need access to maternal health services, and will benefit those vulnerable women working in the informal economy. However, as explained in section 2.2, the SIS also has a subsidised component with a wider coverage for health services, in which the subsidised regime is basically oriented toward the poorest populations and as such is also part of the *Crecer* Strategy¹¹. If the SIS subsidised component is included in the basic and specialised health services, it adds another S/.230 million to this area.

The Identity area of activity constitutes 1% of the *Crecer* and PpR budget, with a more extensive budget allocated to children and adults compared to newborn services. Currently in the country there are half a million undocumented adults and eight and a half million undocumented children, with a higher proportion of undocumented women than men. The cost of obtaining the National Identity Card (Documento Nacional de Identificación, DNI) ranges from S/.16 for children to S/.24 for adults. The RENIEC gives the DNI for free to disabled, indigenous, afro-Peruvians, terrorism victims, children, teenagers and adults in poverty as well

¹¹ Not in Table 3 since it is part of section 2.2.

as the elderly, in selected campaigns coordinated by other institutions within the *Crececer* strategy. Holding the National Identity Card (DNI) is crucial to access many other services that may be relevant for informal workers. For instance, the National Identity Card is used to access educational programmes, free health services, to exercise the right to vote, to claim the formalisation of a property, to access a formal job as well as to file a labour case in Court.

The education line constitutes 7.2% of the *Crececer* and PpR budget, and actions are divided between achieving adequate math and reading skills for third graders and the adult literacy programme. This last component is essential to open more labour market opportunities and further education for the younger generation and increase skills for adults who are currently facing discrimination in the labour market. The combination of infrastructure projects with actions aiming to guarantee more profitable activities is critical to the most vulnerable informal workers in rural and poor urban areas. The access to basic services and market opportunities represents 57.5% of the *Crececer* and PpR budget and it is the line of action that receives almost all the credit revenue. It articulates six ministries with executive units under their corresponding sector. PROVIAS and the Telecommunications Fund (FITEL), under the supervision of the Ministry of Transportation and Communications (MTC), executes projects oriented respectively to roads and access to telecommunications within prioritised rural areas under the *Crececer* Strategy, adding up to S/.316 million. The Ministry of Energy and Mining (MEM) and the Ministry of Housing and Construction (VIVIENDA) are implementing electrification and water infrastructure respectively for prioritised rural areas. The Social Development Cooperation Fund (FONCODES) also targets rural areas in the municipal programme of access to basic services and 'Improving Your Life' programme, allocated S/.41.7 million. The former funds infrastructure projects including the construction of educational and health facilities through a competitive call to municipalities in targeted poor districts. The second programme focuses on districts affected by natural disasters, and incorporates the population in the rehabilitation of local archeological sites as a way to generate also new market opportunities.

Not explicitly in the *Crececer* strategy, but also linked to the objective of reducing poverty by generating economic opportunities in rural areas, FONCODES has developed four programmes and various localised projects. One is the Solidary Enterprise, allocated S/.10 million in the modified budget, that supports temporary job creation for women and for the young and disabled population by connecting their products with demand coming from local and regional enterprises. This programme is also supported by the programme of Socioeconomic Micro Corridors, allocated S/.7.2 million, which connects local supply to international markets. This programme targets prioritised poor areas to strength their production, associability and competitiveness. Several projects in this line are being implemented in Chincheros and Anadahuyayas, Tacna and other districts, which adds S/.1.5 million to the budget. The third programme, the Programme for Rural Education allocated S/.11,725, involves the rehabilitation of education infrastructure in prioritised rural areas. The fourth programme of Support to Social and Productive Basic Infrastructure was allocated S/.100 million and complements infrastructure investments for prioritised poor areas. In this area of activity, the programme of Rural Agrarian Productive Development (AGRORURAL), allocated S/.199 million of which S/.89 million are credits, is an executive unit supervised by MINAG that includes four sub-programmes to contribute to the goal of poverty reduction. One focuses on the generation and redirection of economic activities to new market opportunities by articulating produce and markets (MARENASS), the second promotes the use and production of guano to improve crops (PROABONOS), the third incorporates various projects including technical assistance for the elaboration of projects funded by other institutions, improvement of irrigation systems, improvement of rural kitchens, reforestation etc, oriented to improve life quality (PRONAMACHCS), and the fourth programme (PROSAAMER) gives entrepreneurial assistance and generates information relevant to the articulation of rural agrarian products to national and international markets.

Incorporating not only rural but also urban areas, the Programme for the Integral Improvement of Neighborhood and Towns (PIMBP), currently allocated S/.171 million mainly from ordinary revenue, constructs roads, water and electrification systems. In the case of towns, the programme transfers funding to

municipalities with projects that have been approved in the participatory budget having viable pre-investment studies. The neighborhood component focuses on urban areas and requires co-funding by the municipality (250 dollars per residential unit) and the community (100 dollars per residential unit), incorporating also infrastructure projects such parks, recreational grounds and communal centers. The programme supports up to 2,000 US dollars per lot, for neighborhoods no older than 7 years, situated in risk free areas, with no services and with up to 300 lots. Other components include the paving of streets and the improvement of publicly owned *quintas*¹² and containing walls. For the former, the programme subsidises up to 80% of the paving project, with 16% participation of the municipality and 4% of the community.

Also for targeted urban and rural districts, the programme of Social and Productive Emergency *Construyendo Perú*, currently allocated S/.76 million, is intended to generate temporary income for the unemployed population in poverty through the funding of labour-intensive projects presented by community organisations and local authorities. In contrast to rural projects, urban projects participate in a competitive process within a list of selected districts. Within the programme design, a quota of participation is stipulated for youth and disabled people but this is not done in the case of women for whom participation depends on their demand (Roerder *et al.*, September 2008:31). Project proponents can be any community-based organisations, including community kitchens, unions, resident associations, etc. For instance, in 2008, the programme coordinated actions with *Mi Empresa*, and improved infrastructure for roofed markets in two districts of Metropolitan Lima. Potentially, some associations of roofed market owners within poor districts could improve their services within initiatives from this programme.

Overview of Regional and Local Budgets Administration

Responsibilities

Since the 1990s, both autonomy and responsibilities have increased for local governments which are composed of provincial and district administrations. In 2003, the new Law of Municipalities No. 27972 enacted administrative decentralisation covering these local governments. Local mayors, in provinces and districts, have been elected since the 1980s. In the planning process districts and provinces need to coordinate to build a concerted plan. In the local districts and provinces planning entails the active participation of civil society. 40% of the members of Local Coordination Councils are representatives of civil society who are elected for a period of two years.

While some initiatives of regionalisation existed before, regional governments as implemented today were created in 2002 and elections of regional presidents are held every four years. According to the Organic Law of Regional Governments 27867 of 2002, their responsibilities include regional planning, the execution of public investment projects, the promotion of economic activities, and the administration of public property. Regional governments can also propose legislative initiatives related to issues under their responsibility. Regional governments are made up of a president and two councils. The regional president is entitled to propose and execute Budget decisions. He/She also can implement regional programmes and administer regionally distributed funds. The Regional Council votes and discusses budget propositions. It is entitled also to supervise any public official in its jurisdiction and can dismiss any member of the council, including the President and Vice-president. The coordination council is composed of the provinces' mayors and representatives of civil society. It has neither executive nor legislative powers but it is consulted on issues related to planning and budgeting in line with an annual timetable.

¹² Residential units across an interior passage with independent services per house.

Funds and resources

Regional and local budgets receive public transfers from different funds. Regional governments are entitled to the Regional Compensation Fund (FONCOR). FONCOR is made up of 30% of the resources from privatisation and franchises of public assets and the financial resources generated from regional investments projects. This fund is proportionally distributed based on poverty and unmet needs evaluations. The MEF and CND approve this distribution. Local governments, composed of districts and provinces, are entitled to the *Municipal Compensation Fund* (FONCOMUN). Since 2003, the proportion of the allocated fund corresponding to operating and investment expenditure is decided by the Municipal Council. Both regional and local governments may also receive transfers from the Intergovernmental Fund for Decentralisation (FIDE). FIDE promotes the funding and co-funding of development projects for different levels of government. The FIDE is administered by CND and allocation involves a competitive process. It is made up of 30% of the resources from privatisation and franchises, after applying deductions by law. It is also made up from non-refundable international cooperation funds and public funds coming from the national government allocations.

Local and regional governments can also independently receive grants, generate credit revenue and collect ordinary and direct revenue. Ordinary resources are composed of rents that regional and local governments are entitled to by law. Regional governments can obtain ordinary resources through the permits or licenses they grant for investment projects and concessions in their jurisdictions. The imposition of rents, however, needs to be approved by the executive branch. At the moment, most of their ordinary resources come from the transfers of the education and health payrolls. Local governments administer and collect ordinary resources from the transfers of the Glass of Milk programme and other services. For regional governments, direct resources come from the contributions for health, education and transportation services and the sales of regional property under the jurisdiction. For local governments, direct resources come from licenses, property rent and other contributions that are decided by the Municipal Council. Both regional and local governments also receive distributed revenues coming from national taxes such as those received from the exploitation of national natural resources such as the mining *canon* and customs taxes, among others. According to Canon Law 27506, the *canon* constitutes 50% of the rent tax of the enterprises exploiting natural resources. Laws N° 28077 and N° 28322 established the distribution of *canon* according to population densities and poverty levels based in unmet needs and infrastructure deficits. Therefore, 10% is distributed to district municipalities in which the resource is extracted from which one third should be use for the development of productive investment, 25% is distributed to the province municipality in which the resource is located excluding producer districts, 40% is distributed to the province municipalities in the area excluding the province in which the resource is located, and the last 25% to regional governments from which 20% is for public universities in the area to fund scientific and technological research and investments.

Regional governments cannot tax or make decisions about sales and customs taxes but they can enter into agreements with the central tax and customs office to administer them in order to increase compliance and supervision. In contrast, local governments administer municipal tax which is composed of land, gambling, games, show, vehicle, and *alcabala*¹³ taxes, among others.

Decentralisation and transfers

Since 2002, the Law of Decentralisation Bases No. 27783 has implied a gradual transfer of the administration of national budgets to regional and local governments in Peru. Initially, transfers to local governments involved those programmes in respect of actions against poverty and transfers to regional governments those related to investment projects. Beginning in 2004, transfers include the administration of health and education budgets and services, and more recently it is expected that some functions of services related to agriculture, commerce, tourism, environment, energy and transportation, among others will be assumed by regional and local governments. The transfers to

¹³ A tax for the sale or transfer of property, estimated to be 3% of the property value to be paid by the buyer or beneficiary of the transfer.

regional governments are executed according to their managerial capacities. The CND prepares and certifies regional governments to assume these responsibilities. Furthermore, some social programmes administered within central ministries are also expected to be decentralised. In 2003, programmes related to the fight against poverty such as PRONAA (Food Safety) and social investment such as FONCODES (Social Infrastructure and Temporal Rural Employment) started to be administered by local governments. In 2004, the Ministry of Women and Social Development initiated decentralisation of programmes related to the support and promotion of populations and families at risk. Other programmes targeting rural areas such as PROVIAS (maintenance of local roads), ORDESUR (reconstruction) and PRONAMACHS (Productive Infrastructure Investment) have also initiated transfers (MCLP, 2005). Regional and local governments manage these programmes but their budget allocations are centrally decided.

Participatory channels

The bases of concerted planning and participatory budgets were initiated in 2001. The first participatory process was held in 2002, which entailed the participation of the Transitory Councils of Regional Administration and the Roundtable for the Fight against Poverty. The DNPP delineates the methodology and instructions for the participatory process.

The law of the Participatory budget No. 28056 was enacted in 2004, making it mandatory for regional and local governments – provinces and districts. The participatory budget constitutes a management instrument that allows for prioritisation of investment projects. The costs of the process of participation are assumed by the institutional budgets of the regional and local governments and/or donations or transfer from non-profit organisations. The amount of funding that is designated to the participatory budget comes from public and non-public sources. Public funds may be transferred from the Ministry of Women and Social Development in the framework of the national initiative against poverty. Thus, projects and programmes approved within the participatory budget subject to this funding must comply with the objectives of the National Plan against Poverty. The amount allocated by each government for the participatory budget is calculated after subtracting fixed expenses, such as personnel, social obligations, general services and debt payment from the total income of the corresponding municipality. The allocations of the amount allocated for a given year must also prioritise projects already in execution by the previous participatory agreements. Additionally, some resources from FONCOMUN can be used for the participatory process but directed to operating and current expenditure.

The dynamics of the participatory budget entail local authorities presenting a report on progress regarding of agreements of the previous year. It involves an open call for participants that reside in the jurisdiction and may or may not hold a specific organisational affiliation. Registered participants are instructed on the purpose and procedures within the participatory process and attend a set of workshops in which they contribute to the general socioeconomic diagnostic and are introduced to the criteria for prioritising projects. The methodology consists of a scoring system that evaluates whether or not certain projects are consistent with the concerted development plan, targets vulnerable populations, encourages the use of local resources, and fulfills other objectives of development. After summing up all the scores, a list of prioritised projects, with a general cost estimate and a basic description, is presented to the DNPP. The process concludes with the signature of an agreement of prioritised projects or programmes and the nomination of participants to the Regional/Local Coordination Council, composed of members of the State and the civil society. It also establishes a Committee for the Control and Supervision of the execution of the prioritised projects within the initial budget allocated. The municipality then elaborates the technical profile and pre-evaluation of such projects and presents then to the DNPP for consideration in the following year.

The Special Case of Metropolitan Lima

As the capital city, Metropolitan Lima is an administratively and politically autonomous region whose jurisdiction corresponds to the province of Lima. The Mayor of the Metropolitan Lima region executes duties at the regional and local level, assuming responsibilities in the whole province as well as for the downtown district *Cercado de Lima*. As a regional government, Metropolitan Lima must administer the funds for education and health, designated by the respective ministry, and must be part of the efforts of the national state in the Budget by Results. As a provincial government, its responsibilities entail planning, creation of public enterprises to administer services, and the administration of duties related to economic and community development. In this sense, the participatory budget involves the prioritisation of projects and programmes at the metropolitan level.

Metropolitan Lima is composed of 43 district governments, which are politically and administratively autonomous. That is, each local district mayor is elected independently by the districts' residents, which produces autonomous decisions in terms of budget administration and differential outcomes in terms of participatory practices. Local districts share the same responsibilities as provincial municipalities but in their own jurisdiction. In practical terms for the case of specific policies, even if provincial ordinances are meant to have a wider impact, district governments can decide whether or not to replicate some policies according to the characteristics of their jurisdiction. For instance, among the 18.5% of population that lives in poverty in Metropolitan Lima, 84.5% are resident within its outskirts. The socio-economic division follows a geographical pattern along 'cone' shaped areas. In the Southern Cone, the proportion of population living in poverty rises to 44.4%, and within the Northern and Eastern cones it reaches 39.5% and 38.8% respectively. In terms of informal economy, the socio-economic composition of each district renders a different perspective in respect of working with selected type of informal workers. For instance, peripheral districts are more willing to incorporate informal entrepreneurs in policy making since they are residents and sometimes workers in their respective communities. Seaside and countryside districts have seasonal informal economic activity, as some of their residents, engage in income-generating activities during summertime or high season periods while often travelling long distances for employment in low season. Central district areas have a demand for informal services – such as domestic workers, independent service workers, etc. – whose actors are usually not residents. For instance, targeted policies such as those related to street vending or waste recycling are diverse, even when some elements from provincial policies also implemented in the *Cercado de Lima* are replicated in many districts across Lima. In some occupations such as live-in household workers, residency does not entitle them to a policy within a predominant middle to upper class district.

This section focuses on the analysis of the Metropolitan Lima regional and provincial budgets for 2009 including the outcomes of the participatory budget experience. Policies targeting street vendors, waste pickers and household workers are also emphasised, pointing out the cases of some districts.

The regional budget and the participatory experience

The responsibilities and organisation of the regional office within the Municipality of Lima was established by the Municipal Edict No. 254–2003. This edict determines that the municipality of Lima has a special regime entailing that (1) the Metropolitan Council executes supervisory duties as a regional council, (2) the Metropolitan Mayor is the Regional President and (3) the Metropolitan Assembly executes duties as the Regional Coordination Council. The Regional office is autonomous economically and financially from the Municipality of Metropolitan Lima. Like any regional government, the regional office coordinates the transfers and the concerted planning and participatory budgeting. Besides the legal, treasury and planning departments, regional administration entails the management of six offices representing

specific functions such as Infrastructure, Decentralisation, Agriculture, Economic development, Social development and Environment.

Table 6 summarises the regional budget of Metropolitan Lima by function and project, showing the sources of funding and their categories of expenditure up to the end of May 2009. As shown, the regional budget of Metropolitan Lima was initially allocated S/.36,904 million, and by the end of May 2009 the modified budget had almost doubled, mainly as a result of grants received to expand and improve transportation infrastructure.

The planning department accounts for almost 11.2% of the total budget involving project management, administration and social economic development. One of them is the Economic Social Development project that entails the support and management of regional programmes that enhance market productivity. This project was allocated S/.120,000 and it entails mostly directive responsibilities to develop previously prioritised projects in the participatory budget. It does not entail personnel expenses, but the acquisition of goods of services, and it is fully funded by ordinary revenue.

The programme of Development of Agricultural Production was initially allocated 1,198 million and increased to 1,215 million using sources of direct revenue; that is, the resources coming from the payments of licenses or other municipal services. This programme is intended to develop activities oriented to support farmers or agricultural workers mostly located in the expansion areas of the city. As this office implements the programme, most of the resources come from ordinary and direct sources of funding and the expenditure is directed to personnel and the acquisition of goods and services.

The programme of transportation represents 79% of the regional budget and contributes the most to the increase in the modified budget. The focus on transportation in the 2009 budget was related to the hosting of important international events such the Asia-Pacific Cooperation annual meeting, which involved the rehabilitation or improvement of streets within the core areas of the city. Almost half of the budget for this purpose was funded by grants and transfers from the central administration, and S/.3.9 million was funded by centrally distributed funds. The rest was funded by local ordinary revenue.

The Education programme constitutes 5.6% of the total budget and includes the transfers to universities and one technical manufacturing training project. Regional government are intended to administer educational funds, but Metropolitan Lima has not yet managed to coordinate the transfer for primary and secondary education, which is still being administered by the Ministry of Education. The project of technical manufacturing training was approved in the framework of the participatory budget. It entails the training of youth living on the outlying districts of the city to gain skills to enter the labour market or to promote entrepreneurship.

The social protection programme represents 2.4% of the budget with one project, also approved in the participatory experience, related to the building of periphery walls in a high risk human settlement.

Table 6. Metropolitan Lima Regional Budget by Functions/Projects According to Sources of Funding and Expenditure Categories, 2009, (S./New Soles)

Functions/ Projects	Budget Allocated	Modified Budget 30-May-09	Sources of Income (based on Modified Budget)					Expenditure Categories (based on Modified Budget)				
			Ordinary Revenue	Direct Revenue	Credit Revenue	Grants and Transfers	FONCOR	Canon & other revenue	Personnel	Goods and Services	Donations and Transfers	Other
1. PLANNING & MANAGEMENT Project Management Economic Social Development Administrative Management	7,405,087 187,284 120,000 7,097,803	7,475,541 230,630 120,000 7,124,911	7,217,803 27,108					230,630 230,630	6,009,654 6,009,654	1,310,138 230,630 120,000 959,508	122,400 122,400	33,349 33,349
2. DEVELOPMENT AGRICULTURAL PRODUCTION	1,198,746	1,215,946	1,157,746	58,200					902,546	281,900	1,500	30,000
3. TRANSPORTATION Pre-Investment studies Construction, Rehabilitation and/or Improvement of routes	23,105,124 688,489 22,416,635	52,783,202 688,489 52,094,713	21,046,584		27,817,722		3,918,896					52,783,202
4. EDUCATION Technical Manufacturing Education Transfer to Public Universities	3,595,056 2,871,639 723,417	3,711,712 2,873,503 838,209	3,711,712 2,873,503 838,209						838,209 838,209			2,873,503 2,873,503
5. SOCIAL PROTECTION Protection of Populations in Risk (Construction Wall of Containment in AAHH Conde de Vega)	1,600,000 1,600,000	1,600,000 1,600,000	1,600,000									1,600,000 1,600,000
Total	36,904,013	66,786,401	34,733,845	85,308	27,817,722	0	4,149,526	0	6,912,200	1,592,038	123,900	57,320,054
%			52%	0%	42%	0%	6%	0%	10%	2%	0%	86%

Source: MEF Portal, Own Elaboration

Infrastructure projects have accounted for the greater proportion of the regional budget, including the list of projects approved by participatory means. According to the information provided by the Participatory Portal of MEF, in 2007, 2008 and 2009, the participatory budget was allocated S/.8,554,630 for 30 projects, S/.7,329,610 for 40 projects and S/.309,962,391 for 52 projects, respectively. For 2009, the amount approved in the participatory budget is greater than the total regional budget. Two projects from 2008 and two projects from 2009 are currently being implemented. Focusing on projects from 2007 to 2009, just two projects of interest to the informal economy have been implemented. Both are related to the above-mentioned project that targets youth and provides technical training, designed in 2008 and executed in 2009. Other projects approved in 2007 and 2008 but still awaiting execution are the construction of manufacturing workshops directed to small entrepreneurs who need additional services to improve product quality and productivity and the identification of economic circuits in Lima which entails a diagnosis of the economic clusters in the city.

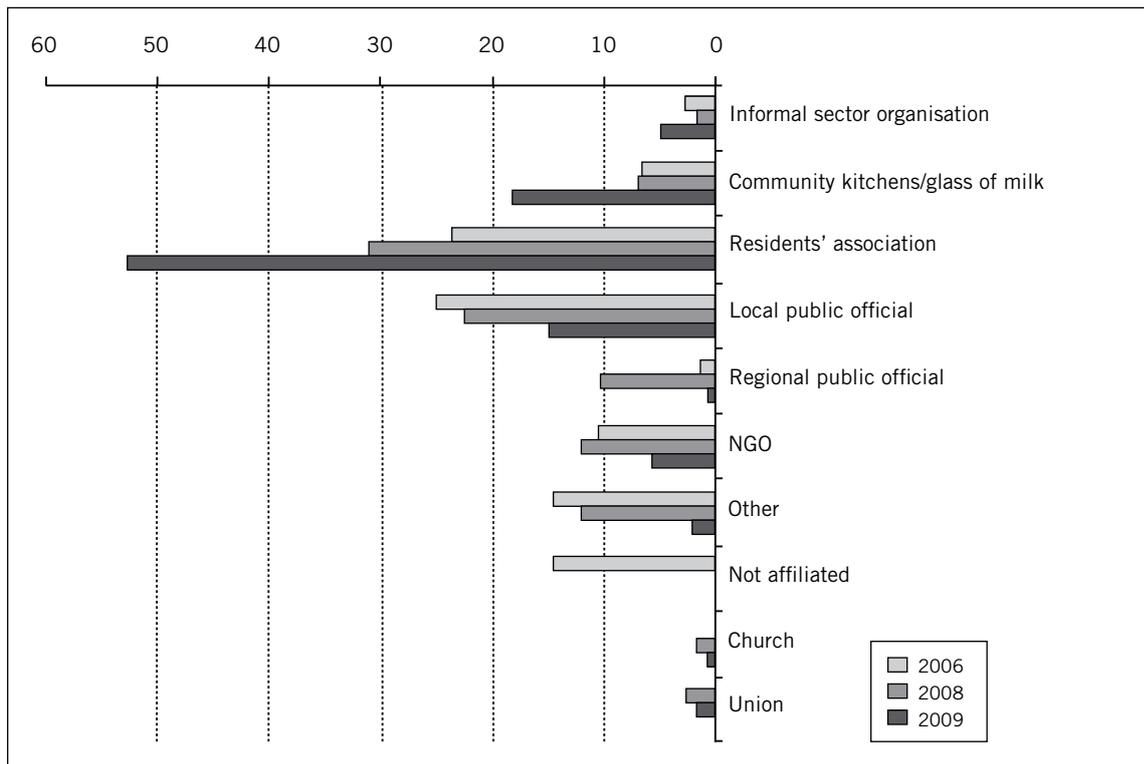
Table 7: Projects in the Participatory Budget Related to the Informal Economy

	2007	2008	2009
Number of Projects	3	3	1
Total Budget for selected projects	1,761,403	1,264,162*	3,105,284
% of the Total Participatory Budget Projects Approved	20.5%	17.2%	1.0%
Number that are being implemented	0	1	1
Type of intervention	Social Economic Promotion	Social Economic Promotion	Social Economic Promotion
Technical Training		1	1
Identification of economic circuits		1	0
Economic Services Modules	2		0
Manufacturing workshops	1		0
Other indirect social		1	0

Source: Participatory Budget Portal-MEF, Own elaboration

* Only 1 out of 3 projects was estimated a budget

Without lowering the importance of infrastructure projects, it is important that informal workers increase their voice and participation within the participatory budget calls to support more projects that can benefit their situation. From 2006 to 2009, the total number of participants increased from 76 to 142, and informal workers organisations participants rose from two to seven. Regional governments need to be aware also of the limitations that informal workers organisations face within the participation experience. Since informal workers, particularly vendors and waste pickers are portrayed as a burden, neighbors are not often willing to recognise their projects as legitimate. As neighbors' organisations have larger number of participants compared to other organisations, it will be necessary that for other concerted spaces that previously discussed issues of street vending or waste picking, are to be implemented by provincial offices in such a way that demands and projects of these workers are known and will be considered.

Figure 4. Participants in Participatory Budget by Type of Organisation 2006–2009

Source: Participatory Budget Portal-MEF, Own elaboration based on Participatory Budgets List of Assistance
 Note: 2007 organisation affiliation not available

The Provincial/Municipality budget

Most of the programmes in the Municipality of Lima are open to all districts in the province; however, some policies, particularly those related to particular regulations, such as street vending and general licensing, solid waste management and social protection services among others, are circumscribed to the Cercado de Lima District. The allocated budget for the Province of Lima for 2009 is S/.921 million and up to the end of May 2009, it has increased by 290 million, through general increases in the municipal sources of revenue but also from donations (S/.69 million increase) and loans (S/.11 million increase). The budget is distributed to 10 management offices (Urban Development, Urban Transportation, Social development, Education, Culture and Sports, Neighbors' Participation, Enterprise Development, City Services, Citizen Safety, Control and Audit; and Private Investment Promotion) and 15 municipal enterprises which are partially financially supported entailing specialised 12 functions as shown in Table 8.

The function of Planning and Management represents almost 28.6% of the total budget and involves all municipal management offices including the office of planning, finances and management. The amount allocated is also made up of the financial transfers that provincial budgets are entitled to distribute to other decentralised national institutions, district municipalities, other public institutions or public funds. The largest category of expenditure corresponds to this task.

The function of public order and safety receives approximately 2.2% of the total budget, funded mainly by direct revenue and municipal tax. It has as main projects the renovation of the municipal police 'Serenazgo' fleet (S/.3.6 million) and the mainstream costs of the municipal patrol including wages and training. Safety is one of the most sensitive claims among Lima residents. Beginning July 1st of this year,

the law of Citizen Arrest goes into effect and even if not specified, many municipalities are considering giving responsibilities to municipal police to perform arrests if a person is found engaged in a criminal activity. The People's Defense Office has stated that *Serenazgo* may not be entitled to perform civil arrests since their role is that of a public servant and not that of a common citizen. They can therefore only support citizens in their arrest but not act as an authority figure. Since many district municipalities have diverse criteria for selecting police personnel, there is an increasing need to unify criteria and train municipal police to prevent cases of abuse of authority. This is a sensitive issue since many abuses, particularly of street vendors have been recorded. For instance, in 2005, Cristian Venancio Huapaya, a street peddler found selling in San Isidro where street peddling is prohibited, was found dead after an encounter with a municipal policeman. To date, there is no information about a unifying project that entails ethical training for municipal police, even though actions are starting to be more closely coordinated with the general police corps. For instance, in the Cercado de Lima they hire graduates from the Air Force or the National Police Corps, and its training programme is open to other districts. However, many districts have their own training course, some with more emphasis on self-esteem and public service skills, such as Jesús María, while some municipalities do not have the resources to support any training. Moreover, some municipalities such as La Victoria, incorporate ex-criminals after their rehabilitation in actions related to security surveillance. Given the urgency of this issue, the Ministry of the Interior has recently inaugurated the National Police Training Center (CEPACOL) but coordination between municipalities is still necessary to accredit the participation of all districts municipal police.

The function of trade receives S/.24 million, representing 2% of the total budget. Almost half of the budgets is funded by municipal tax revenue, and S/.7 million come from grants and the municipal fund FONCOMUN. The upgrading of the Santa Anita wholesale market constitutes almost 77% of the budget and is managed by the Municipal Enterprise of Market EMMSA, which supervises and regulates wholesale markets in Lima¹⁴. As an enterprise under the semi-public regime, EMMSA total budget are not included in the provincial budget of Table 8. However, they also are required to publish their income and expenditures. For 2009, their income increases to S/.2.6 million, which comes from the administration of public-owned wholesale markets. Besides the Santa Anita project, they also offer to Lima wholesalers promotional activities such as support for specific campaigns.

Within the function of trade, the promotion of commerce takes S/.5.3 million and entails activities such as licensing of micro-enterprises and their promotion. One of the key policies in Lima in this respect is 'Licenses Now'. This programme has simplified administrative procedures to obtain an operating license through the unification of procedures and computerised system. Nowadays it takes only 2 days to obtain a license as opposed to the previous 163 days average, and the applicant just needs to go to a specialised service center. For the smaller businesses, in group I, the cost has decreased from S/.680.5 to S/.281, an almost 58.7% saving for the entrepreneur. This reduction has resulted in a steep increase in the annual registration of businesses in Cercado de Lima, from 1,632 in 2005 to almost 13,085 for 2006–2007 after the system was implemented. The simplification of licenses has been implemented in 23 out of the 43 districts, with no clear trend shown regarding the concentration into a particular zone. Another programme that is targeting street vendors, most of whom have already being licensed to work in the Cercado, is *Capitalisando*, created in 2004. It consists of the promotion of group savings deposited in a private bank. The municipality supervises the contribution of each vendor to the account with the aim of reaching up to 20–30% of the value of a private property to be used as a commercial center or any other collective business. In 2007, there were almost 2,738 vendors from 39 associations in the programme, with 67% being women. Participants are also offered incentives to save by participating in training workshops oriented to acquire managerial skills for developing their group project. The policy is being replicated in specific cases, such as for a couple

¹⁴ This project involved the eviction of many vendors inside and outside the market. This wholesale market was invaded and after several years in which vendors claimed they pay 'quotas' to local organisations to negotiate the market sale, the municipality opted to evict them.

of associations in the district of La Victoria and Rimac. Similar initiatives, developed even before 2000, were implemented in the district of Comas, but in these cases the mandatory savings are also accompanied by the payment of *sisa*.

Within the function of industry, receiving S/.63, 341, the main activity relates to actions to support partnerships between producers and promote their products as a way to increase their competitiveness. This budget allocation also complements efforts in the trade function and within the promotion of manufacturing micro-enterprises. Concretely actions involve the Munimype Club, in which the registered associations are offered information about courses, training, credit support, export opportunities and also are eligible to participate with their products in exhibitions and promotional activities. Being formal is included in the policy guidelines enabling access to any of these services, but so far the municipality insists only in the pre-condition of having an operating license and not other aspects of formalisation. Participants can be from any district in Metropolitan Lima. Having RUC or other regulation besides the license is encouraged but not having it does not limit access to informational or promotional services. However, assistance from the institution providing credit and procedures to export require a RUC.

The function of Tourism receives S/.49, 510, mainly funded by direct revenue and their expenditure is directed to the acquisition of goods and services. The office of Heritage and Tourism, within the Department of Culture and Education, has programmed 15 events to promote tourism in Lima. One of these events involve food fairs in which women in the Cercado de Lima are selected for their dish specialty and participate in the food fair every Sunday for that year. This initiative has been replicated in many districts, such as San Miguel, Barranco among others, as a way not only to promote tourism but also to give vulnerable women in the districts an income-generating opportunity.

Transport receives 40.2% of the total budget. It adds almost half of a million to the projects of infrastructure and paving that are also being executed by the Regional office. Some of these projects have been transferred to local municipalities when dealing with paving of streets, while other major investments such the construction of highways are mostly managed by the Province across the city. The office of transport complements other major projects executed by the Municipal Enterprise PROTRANSPORTE. Fully funded by grants, this institution has received funds from the Inter American Bank (S/.57,500,000) and the World Bank (S/.157,500,000) and it is partially funded by the municipality (S/.528,945,882) to execute modernisation projects such as the electric train, the construction of inter-provincial terminals, reorganisation of public routes and the Metropolitano transport system. The vision of this institution incorporates a resolution to work with national providers and enterprises, by incorporating transport operators in the new transport enterprises created within the modern system, using natural gas and purchasing cars made in Peru. Drivers or transport operators are positioned as the fourth largest group within the informal sector, and it is essential to guarantee the incorporation of drivers to reduce potential social exclusion. Still, there is no current programme within the municipality or any institution that is targeting these workers to enhance their skills so that they can be part of the modernised transport system.

Housing and urban development receives S/.17.7 million, almost twelve million coming from direct revenue and S/.5 million from municipal tax, while the remaining is funded by FONCOMUN. The budget covers mainly personnel expenses. This function is made up of the general management of urban planning, the maintenance of street lighting, the project of intervention in the historic centre, and a project of restoration of an historical monument known as the 'house of the thirteen doors'. The execution of the rehabilitation for housing projects and intervention of the historic center is mainly managed by the municipal real estate enterprise EMILIMA S.A. This enterprise is currently executing another 13 projects, mostly related to the recovery of historic houses, including two housing projects (La Muralla and Cañete 100) benefiting 113 families, and one of them in *Virgen del Carmen* to construct a service center for teenagers. Culture and sports are assigned 5.7% of the total budget, funded mainly from grants and allocated

mostly for the acquisition of non-financial assets. The budget corresponds to the Office of Education, Culture and Sports which has as mainstream projects the reconstruction of the Municipal Theatre, the promotion of artistic and cultural activities, the promotion of sports, the management of 5 projects to maintain and improve recreational complexes and the construction of sport grounds. To complement other infrastructure projects, the Metropolitan Fund of Investments INVERMET is currently conducting pre-investment studies of seven projects of recreation and one project related to education (The Itinerant School). In particular, the construction of sport grounds is being executed in populous districts of the city.

The function of environment receives S/.96.5 million of the total provincial budget, and is mainly funded by direct revenue while 4.2 million and 1.8 million corresponds respectively to grants and municipal tax. This function is managed within the City Service Office. The budget allocated funds the environmental control programme, the installation of sewage and water treatment services in the Legend Park project, the mainstream service for the maintenance of parks and gardens and the management of the public cleaning service. In support the maintenance of parks, SERPAR, a municipal decentralised office, manages the maintenance of recreational parks across Metropolitan Lima.

As an exemplary policy, the municipality in the Cercado de Lima has implemented a registry of licensed waste pickers since 2005. To date there are 2,000 registered waste pickers who are part of a regulatory scheme that determines the routes and schedules to work. The policy has encouraged organisation, resulting in 16 associations in the Cercado. The administration supports the initiative to convert the waste pickers associations into enterprises and is coordinating action with NGO Ciudad Saludable. Still, the funding for the construction of collection centers has not been resolved yet. The achievements in Cercado have not reached all districts since the management of this service is autonomous for each of them. Some districts with a greater proportion of middle to high socio-economic status residents, such as San Isidro, Miraflores and La Molina, still confiscate pickers' tricycles. With the initiative of Ciudad Saludable and other waste pickers associations outside Cercado de Lima, some districts mostly located on the periphery such as San Juan de Lurigancho, Villa El Salvador, Comas, Ate Vitarte and San Juan de Miraflores, are showing greater interest in implementing policies to incorporate waste pickers in their management of solid waste plans.

The function of health receives S/.1.3 million, mainly funded by direct revenue and with only S/.50 thousand coming from grants. The expenditure is directed to goods and services and the acquisition of non-financial assets. This function partially funds the initiative of the Solidarity Hospitals, within the Metropolitan System of Solidarity (SISOL), a municipal enterprise providing at low cost a full package of health services to residents within poor districts in need of these facilities. The achievement of a low-cost service and comparatively speedy service is possible due to the use of trailers and third party providers. It has managed to become a self-financed service (BID, 2004) and according to the municipality it reaches 13% of the total population in the city. Nowadays, the SISOL is expanding beyond Lima, providing services to other regions.

The function of social protection receives S/.17.8 million funded mainly by direct revenue and municipal tax. The programme provides services to the elderly, the municipal protection of children and teenagers, the development of community-based organisations, the glass of milk programme targeted to children in the district and complementary nutritional assistance programme. It also includes two infrastructure projects to build childcare centers in the Cercado de Lima. From these activities, relevant to complement the implementation of the household workers law, are the actions oriented to the protection of children and teenagers. The municipality of Lima will implement a registry for these workers in the year ahead and is planning to implement also a certification programme which is not currently assigned a budget.

Finally, the function of public debt management is related to the role of the treasury and entails the payment of the credits assumed by the municipality, a total of S/.128 million; 45%, 3%, 24% and 28% respectively will be covered by direct revenue, credit revenue, FONCOMUN, and municipal tax.

Conclusions and Recommendations

The informal economy remains one of the main sectors for employment for the most vulnerable population groups in the country such as the poor, women and youth. As the State decentralises, informal employment is directly or indirectly targeted by programmes which either seek to improve working or living conditions, promote entrepreneurship, advocate for the expansion of social protection, or regulate some specific types of informal economic activity in order to expand tax revenue or modernise service delivery. Different objectives or perspectives relating to the informal sector coexist and are reinforced at different scales of interventions. More than an issue of budgeting allocation, there is a greater need for better coordination of efforts in respect of informal workers. While coordination among central and local administrations has increased, particularly in the case of promotion of formalisation, there is still a need to articulate efforts to be able to achieve a broader impact for those working in the informal economy.

For the Central Administrations

a) To include the improvement of employment conditions as a key indicator of poverty reduction

In the *Crececer* strategy, while one of their goals is to guarantee access to new market opportunities and thus promote some entrepreneurial activities, there is no mention of the improvement of labour conditions as a way to fight poverty. This is a key missing link since not prioritising improved access to decent work, measured not only in terms of income, but also in the access to more sustainable social security schemes, may condemn the strategy to poverty alleviation rather than to poverty reduction.

b) To define more explicitly the role of self-employment within the policies targeting entrepreneurial activities

While many occupations in the informal economy have an entrepreneurial site, most of them can not necessarily be clearly categorised as micro-enterprises. Even if several associations of self-employees are

opting for this denomination in order to access the offer of promotional programmes, it is important to realise that some of them might not be explicitly included in efforts that target micro-enterprises for their potential of economic growth and ability to export.

c) To facilitate association within self-employees or vulnerable micro-enterprises by lowering costs of registration

While important efforts to reduce costs to register enterprises have been made, there is still a need to consider the excessive costs that can limit the probability for self-employed workers to constitute associations of micro-enterprises. The reduction of time in registration is important, but it is necessary also to focus on particular costs that these associations can not afford such as costs of legal representatives or notary services.

d) To accommodate potential gender-related policies for those in occupations more likely to face precarious work conditions

For instance, childcare programmes, such WAWA-WASI, are crucial for women working in the informal sector. It will be important that labour initiatives also take into account the expansion in coverage of those services.

e) To propose a more coherent evaluation approach to measure achievements related to employment conditions

As the informal sector is fairly heterogeneous, a more detailed approach is needed for more prevalent occupations or at least a more periodical evaluation of their trends as compared to the evolution of formal sector. Beyond specialised reports provided from time to time, INEI and PEEL can more regularly publish disaggregated indicators to analyse trends in income, category of occupation, sector and gender composition of informal workers. Furthermore, even if the revised definition of the informal sector has been adopted by both institutions, discussion is needed as to whether or not an employment-based definition, such as the lack of social protection, is necessary to identify the hard cases or niches in which unregistered enterprises in the low productivity sector evidence the largest numbers of precarious labour.

At the Regional and local level

a) To integrate national policies within the discussion of specific occupations that currently face more discrimination and vulnerability within local jurisdictions.

The account of the issues faced by the selected informal occupations highlights the need for their respective specific-occupation laws to be implemented in the administration of local municipalities. The efforts of such national regulation are not effective if municipalities cannot incorporate the implementation within their jurisdictions.

b) To unify criteria in work-related policies across local municipalities

It is necessary that MINTRA continues increasing the participation of local municipalities in their labour-related initiatives as initiated by its programme *Mi Empresa*, but also focusing on other occupations, such as waste pickers or street vendors. The participation of regional governments to unify criteria for the provision of entrepreneurial or social protection services targeting of most vulnerable populations is crucial to strengthen the labour related initiatives.

c) To implement pro-active actions to increase participation within decision making and concerting planning channels to informal workers associations

Participatory budgets are democratic spaces in which informal workers would benefit more if more permanent mechanisms were available for articulating with neighbors and other local actors. For instance, the lack of Mixed Commissions for Street Vendors hinder these actors' participation since in the context of budget their projects and plans are not known ahead by most residents.

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Leddy Mozombite Linares, General Secretary, Sindicato de Trabajadoras del Hogar (CGTP – SINTRAHOGARP)

Blanca Figueroa, Director, Grupo Redes

Manuel Pajuelo, Ciudad Saludable

Leonardo Mendoza Flores, Head of the City Services Office, Metropolitan Lima Municipality

Rolando Aguirre, Solidary Hospitals, Metropolitan Lima Municipality

Francis Zegarra, National Coordinator, Integral Health System

Juan Carlos Benner, National MYPE Office, Ministry of Production

Eduardo Gamarra, Labour Inspection, Ministry of Labour and Employment Promotion

Olga Bardales, Researcher of the Programme Against Domestic Violence, Ministry of Women and Social Development

Silvia Quinteros, Director of the Equal Opportunities Plan, Ministry of Women and Social Development

Diana Alca, Defense Office, Ministry of Justice

List of Acronyms

AGRORURAL	Programme of Rural Agrarian Productive Development
ALEGRA	Center of Free Legal Assistance
APROLAB	Support Programme for the Professional Formation and Labour Insertion
CEPACOL	National Police Corps Training Center
CGTP	General Central of Workers Peru
CITE	Center for Technological Innovation
CND	National Decentralisation Council
CODEMYPE	Council on Micro and Small Enterprise
COFIDE	Financial Corporation of Development
COFOPRI	Commission for the Legalisation of Informal Property
CONFIAR	Confederation of Street and Market Vendors' Organisations of Lima
COPESCO	Special Commission for the Coordination and Supervision of the Tourist and Cultural Plan of Peru-UNESCO
CUT	United Central of Workers
DIGESA	General Directorate of Environmental Health
DNI	National Identity Card
DNPP	National Public Budget Administration
DP	People's Defense Office
ECLAC	Economic Commission of Latin America and the Caribbean
EMILIMA	Municipal Real State Enterprise
EMMSA	Municipal Wholesale Market Enterprise
ENAHO	National Household Survey
EPE	Permanent Employment Survey
ESSALUD	National Health Social Security
FARTAA	Broad Front of Autonomous Ambulatory Workers
FEDEVAL	Federation of Street Vendors of Lima
FIDE	Intergovernmental Fund for Decentralisation
FITEL	Fund for the Investment in Telecommunications
FOMA	Fund of Assistance for Street Vendors
FONCODES	Social Development Cooperation Fund
FONCOMUN	Municipal Compensation Fund
FONCOR	Regional Compensation Fund
GNP	Gross National Product
INDECOPI	Institute for the Consumer Protection and Defense of Copyrights
INEI	National Institute of Statistics and Informatics
INVERMET	Metropolitan Investment Fund
MARENASS	Management of Natural Resources in the Southern Highlands Project
MCLP	Roundtable for the Fight Against Poverty
MEF	Ministry of Economy and Finances
MEM	Ministry of Energy and Mining
MINAG	Ministry of Agriculture
MINCETUR	Ministry of Foreign Trade and Tourism
MINDES	Ministry of Women and Social Development
MINEDU	Ministry of Education
MINJUS	Ministry of Justice
MINSA	Ministry of Health
MINTRA	Ministry of Labour and Employment Promotion
MTC	Ministry of Transport and Communications
MUNIMYPE	Municipal Micro and Small Enterprises

MYPES	Micro and Small Enterprises
ORDESUR	Organism for the Reconstruction and Development of the South
OLA	Andean Labour Observatory
ONP	National Pension Office
PCM	Presidency of Ministers' Council
PEEL	Programme of Statistics and Labour Studies
PIMBP	Programme for the Integral Improvement of Neighborhoods and Towns
PNCVFS	National Programme Against Domestic Violence
PpR	Budget by Results
PROABONOS	National Programme for the Profitability of Guano
PRODUCE	Ministry of Production
PRO JOVEN	Labour Training Programme for the Young
PROMPERU	Peru Export and Tourism Promotion Commission
PRONAA	National Programme of Nutritional Assistance
PRONAMACHS	National Programme for the Management of River Basins and Soil Conservation
PROSAAMER	Programme of Support Services to Access Rural Markets
RENIEC	National Registry and Identity Office
RUC	Taxpayer Registry Number
SINTRAHOGARP	National Union of Household Workers in Peru
SIS	Integral Health System
SISOL	Metropolitan Solidarity System
SUNARP	National Superintendence of Public Registration
SUNAT	National Superintendence Tax Administration
TLC	Free Trade Agreements
UIT	Tax Reference Unit
VIVIENDA	Ministry of Housing and Construction
WIEGO	Women in Informal Employment: Globalizing and Organizing

About Inclusive Cities: The Inclusive Cities project aims to strengthen membership-based organizations (MBOs) of the working poor in the areas of organizing, policy analysis and advocacy, in order to ensure that urban informal workers have the tools necessary to make themselves heard within urban planning processes. Inclusive Cities is a collaboration between MBOs of the working poor, international alliances of MBOs and those supporting the work of MBOs. For more information visit: www.inclusivecities.org.

About WIEGO: Women in Informal Employment: Globalizing and Organizing is a global research-policy-action network that seeks to improve the status of the working poor, especially women, in the informal economy. WIEGO builds alliances with, and draws its membership from, three constituencies: membership-based organizations of informal workers, researchers and statisticians working on the informal economy, and professionals from development agencies interested in the informal economy. WIEGO pursues its objectives by helping to build and strengthen networks of informal worker organizations; undertaking policy analysis, statistical research and data analysis on the informal economy; providing policy advice and convening policy dialogues on the informal economy; and documenting and disseminating good practice in support of the informal workforce. For more information visit: www.wiego.org.



Women in Informal Employment
Globalizing and Organizing