

**Negotiating Formality:
Informal Sector, Market, and State in Peru**

by

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Abstract

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Street vendors are commonly considered to be prototypical informal workers in Latin America, escaping compliance with the state regulation of commerce. Yet vendors with fixed posts in densely concentrated commercial areas belie the conventional dichotomous concept of formality/informality, as some of their activities are, in fact, regulated. Indeed, fixed-post vendors in central-city streets are engaged in a constant process of negotiating the terms of their formality. In the case of Lima, negotiations over formality are a source of ongoing conflict between street vendors and state officials, who have been unable to jointly construct a stable regime of sectoral governance. Instead, the two sides have pursued conflicting strategies of partial formalization.

This dissertation argues that the inability of vendors and governments to achieve stable governance of the sector is rooted in problems at the national,

metropolitan, and local levels. First, conflicting political incentives at different levels of the state have produced a series of policy contradictions that make disagreements between the two sides difficult to resolve. Second, different configurations of vendor allies and opponents can create strong incentives for the incomplete enforcement of formalization measures at the local level. Third, despite the relative ease with which street vendors form organizations, they face substantial difficulty in scaling them for coordinated action. The difficulty in coordinating strategies across block-level associations hinders their ability to achieve sectoral governance.

The dissertation provides an important corrective to existing studies of informal workers that neglect the political roots of regulation. It also provides new insight into an emerging interest regime that is constituted by the proliferation of a variety of types of popular associations. The research shows that while vending associations have been unsuccessful in their efforts to achieve sectoral governance, the new interest regime may offer novel strategies of action to achieve this goal.

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Negotiating Formality: Informal Sector, Market, and State in Peru

Chapter One: Introduction

Research Problem

Just after four o'clock in the morning on June 22, 1995, trucks carrying a group of about 60 people arrived at the entrance of Parque Cánepa, the construction site of a new shopping center in Lima's garment district. The passengers descended from the trucks, taking with them an assortment of sticks, tire irons, and stones. Weapons in hand, they engaged their adversaries: a group of about 200 street vendors who, three weeks earlier, had occupied the sidewalks surrounding the construction site, and who since had been sleeping on the sidewalks overnight to protect their turf. An hour and several injuries later, a municipal official arrived on the scene and called off the attackers, who apparently had the backing of local police.¹ The vendors won the battle, but six months later abandoned their posts and set up shop on neighboring streets.

Similar battlegrounds abound in Lima. They represent, in physical terms, a broader conflict between states, markets, and rights: states as guarantors of public order; markets as foundations of economic order; and the rights of citizens to a minimal quality of life. Informal markets have decorated Lima's streets for more than four hundred years, but in the past few decades they have become an increasingly visible and disruptive locus of conflict between state efforts to maintain public order,

¹ The newspaper *Ojo* reported this story on June 23, 1995 ("Ni con matones muevan a los ambulantes de Cánepa," p. 10). One of the street vendors involved corroborated the story in a personal interview, June 10, 2002. In Peruvian Spanish, the term *ambulante* is used to refer to all kinds of street vendors, including those who have fixed posts, those who have mobile posts, and those who are truly ambulatory in the sense that they walk through the streets selling their merchandise.

on the one hand, and citizens' efforts to generate an income, on the other. If the problem of governing street markets is so old, why is the conflict between these two combatants so intractable? This research project explores the origins and consequences of such conflict on the crowded streets of central Lima.

Clashes between street traders and governments are part of a broader condition that seems to pervade the relationship between citizens and the state in Peru. The term politicians use to describe that condition is *desgobierno*: anarchy, chaos, “dis-government.” In situations of *desgobierno*, the enforcement of rules is rare, compliance with rules is uncommon, and citizens views politics and the state with a hardened sense of cynicism and mistrust that minimizes the possibility of constructing stable state-society linkages.

Within the street vending sector, *desgobierno* appears as a difficult cycle of non-enforcement and non-compliance in which agreements are unstable and conflicts are frequent. Negotiations between street vending organizations and local officials can produce temporary resolutions at the level of individual streets or blocks on occasion, but those agreements break down frequently, and the sector as a whole remains chaotic and combative. In a more typical cycle, vendors come to occupy a particular swatch of street, sidewalk or park out of the necessity to make a living; their numbers swell to the point that the resulting congestion, trash, noise, and crime become intolerable; governments issue policy measures declaring that vendors are to become “formalized” and then attempt to use either incentives or force to expel them from their space; and vendors simply reappear days or weeks later, or create the same problem in a different space. Lima's street vending sector is thus characterized by

desgobierno: local governments' continuous efforts to govern the sector are met with equally continuous efforts on the part of vendors to resist.

The Argument: Negotiating Formality

On the surface, conflicts between street traders and governments seem like an inevitable consequence of informality. Street vendors are considered to be prototypical informal workers, and by standard definitions, informal workers fall outside the realm of state regulation. Thus, while state officials might have strong incentives to formalize street vendors, vendors seem to have equally strong incentives to avoid the costs of formality by evading state regulation.

This dissertation argues that standard definitions of informality that are rooted in an absence of regulation do not adequately capture the condition of street vendors with fixed posts on crowded city streets. These street vendors are neither formal nor informal; rather, they are on the border of formality. Vendors who set up fixed posts on the streets of densely concentrated commercial areas of the city create a unique set of public policy problems that attract state intervention. State officials in turn issue an endless stream of policy measures attempting to regulate vendors and reduce the impact of these problems. However, street vendors with fixed posts also have strong incentives to *become* regulated. Complying with regulations legitimates their claim that they have a right to occupy public space for the purpose of private commerce, and it constrains the ability of the state to use repressive measures to expel them from the streets. Regulation also helps vendors defend their space from potential competitors, particularly in strategic commercial areas where space is at a premium. In some

situations, complying with state regulations can even bring state-sponsored benefits to street vendors from which they would otherwise be excluded.

State officials and street vendors therefore both face strong incentives to ‘formalize’ street commerce through regulation. However, each side faces conflicting incentives over the implementation of individual elements of formalization. For state officials, imposing taxes, licenses, and other kinds of regulations can help control chaos and congestion in the streets, but ceding too much autonomy to vendors can also constrain their ability to enforce policy. For street vendors, regulations can legitimate their position in the streets, but they can also impose considerable, and sometimes excessive, costs. Each side thus faces incentives to selectively implement certain elements of formalization, and those incentives frequently change over time.

As a result of these conflicting incentives, street vendors and state officials are engaged in a constant process of negotiating the terms of formality. The intractable conflicts between vendors and governments arise not over the issue of formalization per se, but rather over the specific *terms* of formalization. Moreover, those negotiations over the terms of formality are conditioned by changing political circumstances at the national, metropolitan, and local levels. Policy incoherence at the national and metropolitan levels constrains the ability of local-level officials to enact effective formalization measures. At the local level, the balance of power between vendors, their enemies, and local governments in particular urban spaces influences the incentives for and against the elements of formalization. These political factors explain why the street vending sector in Lima is characterized by a continuous cycle of *desgobierno*.

The Debate: Street Vendors, Informality, and Governability

‘Informality’ is a term that has remained deeply contested since Keith Hart first introduced it in the early 1970s,² but the most common formulations center around two ideas: regulation and marginalization. Perhaps the most widely accepted definition³ of the informal economy is that of Castells and Portes (1989: 12-13): it is a process of income generation that is “unregulated by the institutions of society, in a legal and social environment in which similar activities are regulated.” This absence of regulation can come either “from above” or “from below”: from above, the state may choose not to regulate a given sector; and from below, individuals whose work is regulated by the state may choose to avoid complying with those regulations.

Regulation from Above. The term ‘informality’ is often used to describe the absence of institutionalized regulation on the part of the state, and the congestion and chaos that typically characterize street markets in third world cities might suggest that governments simply neglect or ignore the sector altogether. According to Castells and Portes (1989: 13), an absence of state regulation from above implies a lack of “explicit, active intervention of the state in the process and outcome of income-generating activities, on the basis of a set of enforceable legal rules.” It is not that the government is necessarily unaware of these activities or even opposed to them, but rather that it intentionally does not intervene in an explicit, active, or institutionalized way. According to this perspective, street commerce may be chaotic because the state

² For reviews of the various ways in which researchers have used the term, see Peattie (1987); Carbonetto et al. (1988); Castells and Portes (1989); Portes and Schauffler (1993); Portes (1994); Rakowski (1994); Roberts (1994); and Cross (1998), among others. The term was originally coined by Keith Hart in “Informal Income Opportunities and Urban Employment in Ghana,” *Journal of Modern African Studies* 11, no. 1 (1973): 61-89.

³ Roberts 1994; Feige 1990; Klein and Tokman 1996.

intentionally does not govern it: that is, street markets are not necessarily ungovernable; they are simply ungoverned.

For decades, however, governments in Peru have undertaken a multitude of measures to attempt to govern street commerce, particularly in densely concentrated commercial areas where fixed-post vendors congregate. In metropolitan Lima,⁴ policy makers have attempted to ‘formalize’ vendors by imposing taxes; requiring licenses and other forms of authorization, and linking that authorization to limitations on what vendors can sell and how they can sell it; and granting vendors inducements to cooperate, among other measures. At the metropolitan and municipal levels, governments experiment endlessly with new ways to keep the public policy problems associated with street markets under control. In this setting, street commerce is not chaotic for lack of effort on the part of governments.

The incentives for officials to ‘formalize’ street vendors through these measures can be strong. Requiring vendors to pay a tax in return for their use of public space, for example, can generate a substantial amount of revenue for the municipality, particularly in districts where thousands of vendors occupy the streets. Imposing a tax can also provide officials with a mechanism that helps control the

⁴ The generic term ‘metropolitan Lima’ refers to the 43 municipal districts that make up the metropolitan Lima area. A metropolitan government, called the ‘Metropolitan Municipality of Lima’ (MML), has normative jurisdiction over the 43 municipal districts that make up the metropolitan region, and is responsible for regional issues (such as infrastructure projects, parks, and regional development). The Metropolitan Municipality of Lima also governs the municipal district of Lima-Cercado, which encompasses the city’s Historic Center and downtown region; the municipal district of Lima-Cercado is the only one of Lima’s 43 districts that lacks its own district government. The term ‘Metropolitan Ordinance’ refers to an ordinance issued by the Metropolitan Municipality of Lima that applies to all 43 municipal districts. The Metropolitan Municipality of Lima is governed by an elected mayor and city council. The 42 municipal districts (aside from Lima-Callao) are governed by an elected district-level mayor and city council.

number of vendors on the streets, and provide a justification to expel those who evade the tax.

Requiring vendors to hold licenses can also provide a mechanism to control crowding in strategic commercial areas. Licensing and authorization requirements help officials enforce other policies that attempt to formalize vendors; for example, officials can deny licenses or threaten the confiscation of licenses from vendors who fail to comply with requirements that they maintain their posts at a certain size, or who fail to wear officially sanctioned uniforms or keep accounting records. Limiting authorization to a finite number of vendors in a given area can likewise control the entry of newcomers to already crowded streets. In addition, licenses can provide elected officials with an inexpensive way to buy the votes of vendors who live in the same district in which they work.

Officials can even face strong incentives to offer vendors inducements to comply with formalization measures rather than relying on force for their implementation. Certain policy concessions, such as benefits for vendors who pay taxes and hold licenses, can make compliance with formalization measures more likely. Concessions can encourage vendors to develop enforcement procedures themselves to make sure that they avoid losing their privileges. Self-regulation among vendors in turn helps alleviate the administrative costs of regulation for the municipality, and it can prevent costly confrontations between the two sides.

At the same time, however, state officials also face disincentives for implementing formalization measures (see Table 1.1 below). By charging a tax for the use of public space, for example, officials also cede vendors who pay it the right to

occupy the streets. Granting vendors this right can embolden them to resist additional policy measures that interfere with that right. It can also make it more difficult for officials to justify expelling vendors with the use of force, particularly when there is some degree of public sympathy for vendors. Thus, a tax can simultaneously bolster the state's ability to enforce formalization measures and constrain the choices of formalization measures available to them.

Table 1.1. Incentives for and against formalization

<u>Issue</u>	<u>State officials</u>		<u>Street vendors</u>	
	Incentives for	Incentives against	Incentives for	Incentives against
Taxation	Generates revenue Legitimizes expulsion of those who fail to pay	Legitimizes vendor claim of right to occupy streets Constrains ability to expel those who pay	Legitimizes claim of right to occupy streets Constrains ability of state to expel those who pay	Imposes monetary cost Does not guarantee right to occupy
Licensing & authorization	Facilitates clientelism, vote-buying Facilitates enforcement of related regulations	Generates administrative costs Legitimizes vendor claim of right to occupy streets Constrains ability to expel those who have recognition	Legitimizes claim of right to occupy streets Constrains ability of state to expel those who have recognition	Can impose monetary and bureaucratic costs if license required Implies requirement to comply with regulations
Inducements & concessions	Facilitates cooperation, enforcement of agreements Fosters stability	Constrains policy Legitimizes vendor claim of right to occupy streets Constrains ability to expel vendors covered by agreements	Creates potential for better policy Establishes channel for voicing demands Legitimizes claim of right to occupy streets	Limits autonomy for base associations Cedes negotiating authority to federations Requires cooperation across organizations

The incentives against requiring licenses and other forms of authorization can likewise be compelling. Implementing a licensing program effectively would generate

substantial administrative costs, particularly if the government is committed to minimizing fraud and ensuring individual compliance with other formalization measures by linking licenses to such compliance. Granting vendors a license can also legitimate their claim to have a right to occupy public space, and constrain the ability of policy makers to unilaterally expel those who hold licenses.

Offering vendors inducements and concessions in exchange for their compliance with formalization measures also clearly imposes limits on governments' ability to develop and implement the full range of policy options. For example, if officials grant vending organizations the right to participate in policy decisions as a way of inducing them to comply with regulations, certain options for controlling public space – such as prohibiting vendors altogether from working on strategic thoroughfares – may be taken off the table. Moreover, changing course unilaterally can generate conflict with the vendors, who often have substantial organizational power in crowded areas. Incorporating vendors into the policy process further legitimates their presence in the streets, which in turn can exacerbate public policy problems if taxation and licensing mechanisms are ineffective.

Officials responsible for governing crowded downtown areas where street vendors congregate often face problems of congestion, noise, crime, and threats to public health that are severe enough to call for intervention in the street vending sector. However, implementing full-scale formalization measures may not always be the best option. Rather, governments face conflicting incentives to selectively implement certain elements of formalization under certain conditions. Thus, it is not

that street commerce remains chaotic because governments choose not to regulate it; rather, the streets remain chaotic in part because of these conflicting incentives.

Compliance from Below. The fact that the state issues an endless stream of regulations to control street commerce, of course, does not guarantee that those regulations are followed to any significant degree. Indeed, Hernando De Soto's landmark study of the informal sector in Peru (1989) argues that excessive bureaucratic regulations create strong incentives for citizens to avoid compliance with the state's legal framework. In the case of street vendors, the excessive costs of registering one's business, paying taxes, and complying with a multitude of regulations may discourage vendors from formalizing their businesses. Instead, according to this perspective, street vendors choose to evade state regulations. Street commerce therefore may remain chaotic in Lima because vendors oppose formalization measures and intentionally evade regulations meant to govern them.

At the same time, however, fixed-post vendors on crowded central-city streets may have an incentive to comply with certain regulations, particularly those that grant them permission to vend from fixed posts in the street in exchange for compliance. If taxes are to be paid in exchange for the right to occupy public space, vendors who pay the tax would not face the threat of police expulsions, at least in theory. The incentive to obtain security of workspace, particularly in strategic commercial areas that attract a vast customer base, can far exceed the disincentives to evade the tax.

Vendors likewise may have a strong incentive to support local policy measures that require licenses. Licenses can serve two purposes, both of which protect vendors who already have fixed posts in the streets from potential threats. First, like taxes,

licensing requirements can protect vendors from arbitrary treatment on the part of the state. As long as vendors hold a license or some other form of authorization, in theory, the police cannot arbitrarily expel them from the streets. Second, licenses can also limit the number of competing vendors who are authorized to vend in a particular area. The prospect of limiting competition can be attractive enough to encourage vendors to support formalization measures.

Complying with state regulations can also earn vendors certain types of benefits and concessions that they may not otherwise obtain. For example, governments may offer vendors certain social benefits if they pay taxes and licensing fees. They may also offer vendors policy participation at the local level, in the hopes that incorporating vendors into decision-making procedures will encourage more stable and effective agreements. Oftentimes, street vendors are otherwise excluded from such privileges because they lack power in relation to other societal groups. Thus, the incentives for them to acquiesce to formalization can be strong.

Of course, vendors also face incentives to evade formalization measures as well. The requirement to pay daily taxes on their use of public space clearly imposes a monetary cost, and for vendors who may only earn a small profit each day, such taxes can be quite onerous. In addition, while paying taxes in theory should protect vendors from arbitrary expulsion by granting them the right to use public space, in certain circumstances governments enjoy an asymmetrical power relationship that would allow them to expel vendors unilaterally nonetheless.

Some vendors also oppose the issuance of licenses or authorizations for working in public space. Like the requirement to pay taxes, fees for licenses or other

forms of authorization can impose a significant monetary cost, particularly for low-income vendors. Perhaps more significantly, it also can imply substantial bureaucratic costs of the sort that De Soto (1989) argues can drive street vendors away from the legal system. Because authorization policies often link the issuance and renewal of licenses to compliance with other regulations, vendors who hold licenses also lose flexibility in running their businesses. For example, governments can link licenses to requirements to maintain vending posts at a certain size, issue receipts and invoices to track merchandise, wear a uniform or paint vending posts a certain color, and avoid the sale of certain goods on the streets.

Finally, while inducements and concessions like policy participation can offer street vendors an unusual opportunity to influence the decision-making process, they can also limit the autonomy of base-level vending organizations. If participation is limited to representatives of vending federations, leaders must select a handful of representatives from vending federations to participate. Granting these representatives the authority to speak on behalf of all vendors in a given area requires rival leaders to sacrifice their own ability to strike separate, bilateral accords with local officials. Ceding negotiating authority to federations can be an unattractive option for excluded leaders who have fundamental disagreements or rivalries with those who are selected to be representatives. Moreover, the implementation of accords that are meant to govern the entire sector at the district level requires cooperation and coordination across base-level organizations. Yet in some cases, leaders and organizations as a whole show little willingness to get along with one another. Instead, some prefer to broker their own individualized agreements with the authorities.

Street vendors thus face conflicting incentives to comply with individual formalization measures. To be sure, regulations that clearly impose excessive costs such as those De Soto studied can create strong incentives to evade formalization. At the same time, however, vendors who set up their posts on crowded, commercially strategic streets have very strong incentives to comply with regulations. Thus, conflicts between vendors and governments do not reflect a uniform desire on the part of vendors to remain informal; rather, they reflect the difficulty for both sides to reach stable agreements that take into account this array of conflicting incentives.

Political and Socioeconomic Marginalization. A second common understanding of the term ‘informality’ centers on the idea of marginalization. On the political side, informal workers are often understood to be atomized, individuated, and unable to organize, thus relegating them to the margins of social and political life (Carrión 1994). Kenneth Roberts (1995), for example, suggests that informal workers, as petty entrepreneurs rather than employed workers, have “ambiguous class identities, malleable political loyalties, and a lack of autonomous organizational power,” all of which limits their potential for collective political activity. Exacerbating their lack of class identity is that they lack the organizing space, collective grievances, and solidarity necessary for workers to engage in collective action (Jenkins and Leicht 1997: 379). The fact that the informal sector includes a “rag-bag of employment statuses and enterprise types that frequently do not coincide with each other” (B. Roberts 1994: 8) would make it extremely difficult for them to engage in effective collective action.

The lack of organization among informal workers also may help explain why street commerce remains ungovernable in urban centers throughout the developing world. Organizations can help facilitate coordination, make collective negotiations possible, and provide a mechanism for the enforcement of rules and norms. Leaders of an organization can use their position to mobilize members behind negotiated agreements with the authorities, and social pressure within organizations can facilitate compliance among members. Without organizations, street vendors may lack such enforcement and coordination mechanisms. The absence of structured coordination may result in the chaotic interaction that characterizes many street markets.

Yet street vendors throughout Lima have formed hundreds of organizations, particularly in densely concentrated commercial areas where coordination and collective action are most important – and where conflicts with the state are most intractable. Vending organizations have existed in central-city areas since at least 1950,⁵ and in some parts of the city, it can be difficult to find vendors who are *not* part of an organization. Vendors who work on the same block or street also exhibit surprisingly high levels of social capital; many are part of strong migrant networks (Adams and Valdivia 1994), and it is commonplace for vendors at the same market to lend each other a hand by watching over a nearby post, providing a neighbor with change for a customer, or helping one another avoid police expulsions (Aliaga 2002). Street vendors also face the common threat of expulsion, and those who occupy the same space in the streets share a common workspace where organizational activities

⁵ See Guillermo Nolasco Ayasta and Carlos Carbajal Romero, “Perfil de las Organizaciones de Trabajadores Ambulantes que Laboran en las Vías Públicas del Conglomerado Comercial de Caquetá” (Lima: Alternativa, 2001).

can take place. Consequently, the idea that street vendors may be ungovernable for lack of organization, common interests, or collective grievances is also unconvincing in the case of fixed-post vendors.

Marginalization can also appear as a socioeconomic problem that is thought to be common among informal workers. Early conceptualizations of the term ‘informality’ often were based on the notion that small-scale units outside the formal wage economy exhibit low productivity, low capital-to-labor ratios, and simplistic forms of organization. This understanding of informality was rooted in the broader notion of the “dual economy”: that is, a distinction between “modern” firms that were understood to be larger, organized bureaucratically, profitable, and privileged, versus “informal” firms, which were viewed as small, simplistically organized, minimally profitable, and marginal or dependent on their more privileged counterparts (see Peattie 1987: 852). Although the pioneers of the concept – including both Keith Hart and a group of ILO researchers who published in the early 1970s⁶ – were careful to point out that informal economic activities could include both subsistence activities and highly dynamic income-generating operations, an assumption that informal entrepreneurs operate at the margins of subsistence has persisted for several decades.

An understanding of street vendors as low-productivity, subsistence-oriented entrepreneurs could also lead one to hypothesize that street commerce is ungovernable because of its unprofitable nature. Subsistence-oriented entrepreneurs would lack the sort of influence over government policy that allows larger and more powerful firms to

⁶ International Labor Office, *Employment, Incomes and Equality: A Strategy for Increasing Productive Employment in Kenya* (Geneva: International Labor Office, 1972).

secure favorable policy concessions, and without such influence, street vendors may be likely to use protest activities to oppose unfavorable measures. Indeed, street vending leaders in Lima have successfully coordinated thousands of vendors to participate in marches, demonstrations, and protests over the years when governments have threatened to expel them from their workspaces. They may also lack the sort of resources – such as time, money, and civic skills – to use formal channels for demand-making (see Verba, Schlozman and Brady 1995). Thus, vendors' interaction with the state may remain conflictual because they lack any alternative besides confrontation for voicing their demands.

Yet empirical research on informal workers of all types has shown that many of these workers can earn a substantial living – indeed, more than they could have otherwise in the formal sector – by engaging in informal income-generating activities. As Castells and Portes (1989: 12) argue,

The informal economy is not a set of survival activities performed by destitute people on the margins of society. Studies in both advanced industrial and less developed countries have shown the economic dynamism of unregulated income-generating activities and the relatively high level of income of many informal entrepreneurs, sometimes above the level of workers in the formal economy...The informal economy is not a euphemism for poverty.

Evidence from Lima presented in subsequent chapters likewise shows that street vendors can be highly successful entrepreneurs who are deeply engaged in local political arenas. Leaders of vending associations are savvy strategists, and can use the legal system, media, and a variety of other tactics to press their demands. Thus, while

some street traders make just enough to survive, others have lucrative businesses and substantial capacity to overcome marginalization.

The Political Roots of *Desgobierno*

Prevailing definitions of informality, whether rooted in an absence of regulation or political or socioeconomic marginalization, do not adequately capture the condition of street vendors with fixed posts in strategic commercial areas. Fixed-post vendors are neither informal nor formal; rather, they are engaged in a constant process of negotiation over the terms of their formality. This negotiation process rarely produces enduring agreements that allow for stable governance of the street vending sector over time. Instead, it results in a cycle of non-enforcement and non-compliance that fosters conflict between vendors and governments.

This cycle of *desgobierno* is constituted by a series of stages through which negotiations between vendors and governments proceed. Each side faces a fundamental strategy choice between pursuing a comprehensive formalization program that would apply to the entire street vending sector in a given jurisdiction, and pursuing more individualized formalization agreements that would apply only to certain groups, streets, or blocks. The four alternative scenarios that characterize this cycle of *desgobierno* are summarized in Table 1.2.

Table 1.2. Alternative outcomes of negotiations over street commerce

<u>Vendor Strategy</u>	<u>Government Strategy</u>	
	Comprehensive	Particularistic
Unified	Sectoral governance	Conflict
Individualized	Conflict	Street-level governance

On the side of the government, officials responsible for regulating street trade in a given jurisdiction must choose whether to develop a single, comprehensive policy proposal to govern the entire street vending sector, or to pursue a more particularistic strategy that would treat issues such as taxation, authorization, and vendors' rights separately and apply them only to certain groups or streets. In developing a comprehensive policy, for example, officials may attempt to enforce taxes, create a licensing program, limit the right to vend only to those who comply with an array of regulations, and grant those who comply certain policy concessions regardless of their location in the district or their affiliation with a particular vending organization. Alternatively, if the government opts for a more particularistic approach, it may hammer out agreements with individual vending organizations or only selectively implement individual formalization measures. The goal of a comprehensive strategy would be to establish a jurisdiction-wide governance regime that would encompass all street vendors equally, while the goal of separating out key issues and negotiating them individually would be to maintain a higher degree of policy flexibility.

Street vendors must likewise choose a strategy taking into account the incentives and disincentives for formalization described above. Leaders of individual

vending organizations may coordinate and unite behind a single strategy to obtain the best possible governance regime for the sector, or they may choose to abandon coordination and pursue individualized strategies for acquiring the best possible terms for their own members on a given street or block. Choosing the latter can create clear winners and losers among vending organizations, depending largely on the negotiating skill of their leaders. On the other hand, uniting behind a single strategy can create more substantial gains for the sector as a whole. Vendors' strategy choices depend in large part on their leaders' perceptions of the conflicting incentives for and against formalization.

These fundamental strategy choices produce a set of alternative outcomes that are possible within each municipal district. When vendors unify behind a single strategy designed to achieve a district-wide set of rules, and when policy makers are willing to develop a comprehensive strategy to regulate street commerce, sectoral governance becomes possible. Sectoral governance is achieved when a relatively stable set of rules addressing each of the key issues in street commerce is equally applied and enforced across all categories of vendors, regardless of their organizational affiliation, product category, or location on the streets. This degree of stability can only be reached with the support of street vendors, who play a critical role in the self-enforcement of rules and regulations.

On the other hand, when street vendors cannot agree on a unified strategy, or when state officials decide to pursue a more particularistic approach, conflict is more likely to result. In one scenario, officials may choose to selectively implement only certain formalization measures, or they may choose to develop individualized

agreements that only apply to a particular group of street vendors. A common strategy, for example, is to require vendors to pay taxes without granting them any significant benefits, or to require only vendors on certain streets to pay taxes. When governments pursue particularistic formalization strategies and vendors remain united behind a sectoral approach, vendors are likely to radicalize their opposition and create conflict in the streets.

In another scenario, officials may develop a comprehensive policy to deal with street commerce at the district-wide level, but vendors may disagree over how to react. Disagreements among vendors are most likely when the terms of the policy proposal are unfavorable. Some leaders may choose to radicalize their opposition, while others may elect to pursue their own individualized accords with the authorities. When cooperation breaks down on the vendors' side, conflict among them rules out the possibility of establishing a district-wide set of rules that would create stability in the sector.

Finally, when both sides abandon collective, sector-oriented strategies, the most likely outcome is "street-level governance." Under these circumstances, officials and individual vending organizations attempt to negotiate piecemeal, bilateral accords. For example, one organization may agree to pay a daily tax on their right to use public space, and in return the authorities would help that organization set up a savings account to help the vendors acquire an off-street lot for that organization's members. Another common occurrence is for vendors of a single organization to pay the tax in exchange for a guarantee that their members cannot be expelled from a certain block. Thus, street-level governance is characterized by rules and regulations that change

from one block to another or from one group of vendors to another, depending on the terms that each organization was able to negotiate.

The following chapters of the dissertation show why street-level governance and episodic conflict are much more likely outcomes in Lima than sectoral governance. Two key arguments frame the discussion. First, policy contradictions at the national and metropolitan levels of government constrain the ability of local officials to govern the sector effectively. In particular, national and metropolitan-level policies contain vague and conflicting definitions and contradictory provisions that facilitate disputes over the terms of formality. These policy contradictions at higher levels of government provide antagonistic street vendors and local officials with justifications for endless disputes over key issues. Policy incoherence thus exacerbates conflict and feeds into the cycle of *desgobierno*.

Second, at the local level, the balance of power between street vendors, their enemies, and local governments influences strategy choices made on both sides. Local mayors who have ideological or partisan sympathies with street vendors can make the implementation of a favorable, comprehensive formalization package much more likely. They can also facilitate unification among vending organizations, whose leaders may perceive the gains from district-wide rules to be much greater with friendly politicians in office. The development of allies and enemies of street vendors in a given area – including neighboring residents and owners of ‘formal,’ off-street commercial venues – also shapes the strategies of both vendors and local officials. Finally, the capacity of local governments to implement and enforce policies evenly and effectively across district territory influences the likelihood that stable sectoral

governance can be achieved. However, these local-level political variables much more commonly lead to conflict and instability than they do stable sectoral governance. Hostile mayors, well-organized opponents of street vending, and pervasive corruption and incapacity at the local level have facilitated a cycle of conflict and street-level governance in Lima that has precluded stability in the sector in recent years.

The argument therefore places politics and public policy at the center of the informal sector debate. Fixed-post street vendors are not inherently difficult to govern because of their penchant for evading regulations, their incapacity to organize, or their socioeconomic marginalization. Indeed, these workers are deeply embedded in struggles over regulation, organized at the base level, and able to generate ample income through their activities as street traders. Rather, the difficulty in governing street commerce stems in part from local political conditions that influence the strategy choices vendors and governments make in negotiating the terms of formality. Without a resolution of the contradictions inherent in national and metropolitan level policy, sectoral governance will remain difficult for local level politicians to achieve.

Research Design and Data Collection: The Case of Lima's Fixed-Post Vendors

Spatial and Temporal Comparisons. The research design for this project was organized around two main comparisons: (1) a comparison of the politics of street vending in two areas of commercial concentration in Lima; and (2) an over-time comparison of a single area, the garment district of Gamarra, over the course of three municipal administrations. The project's focus on a small number of cases allowed

for a detailed, focused investigation into a complicated sector of the urban economy that is rarely studied in depth.

The purpose of the first comparison was to help narrow down the empirical scope of the project, and to help elucidate the characteristics of ‘street politics’ that are similar and different across urban spaces. The two research sites chosen for study were the garment district of Gamarra, located in the district of La Victoria, and the commercial conglomerate called Caquetá, in the district of San Martín de Porres. These two areas are similarly situated within the landscape of the metropolitan area. They are centrally located with the metropolitan region; they are relatively large districts, each with a population of over 220,000 residents; they are poor, with over 70% of their residents falling in the poorest socioeconomic categories; and they are both home to a densely concentrated commercial area that encompasses thousands of street vendors and microentrepreneurs. The selection of a pair of districts with these similarities was designed to limit the influence of district-level effects on the patterns of conflict uncovered in the study.⁷

The second comparison was designed to trace patterns of conflict and cooperation over time within a single district. This part of the project, which compares the politics of street vending across three municipal administrations (1992-2002) in La Victoria, allows for a more fine-grained analysis of the primary actors in the area, their goals and strategies, and the resources they bring to bear in the struggle

⁷ These districts are therefore *not* representative of all 43 municipal districts in Lima. On the contrary, they were chosen because of the relative importance that street politics plays in each district, as opposed to other districts. Lima’s peripheral areas, which are more isolated from the central city’s wholesale markets, are also less densely populated and exhibit a different commercial and social dynamic than the central city. The findings of this study should therefore provide a basis of comparison for similarly situated areas of large third world cities.

for the streets. It also helps reveal the evolution of conflict and cooperation over time, and vividly illustrates the difficulty of achieving sectoral governance in a single local political setting. The comparison highlights variation in public policy toward street vendors across and within administrations, as well as the effects of national and metropolitan-level policy contradictions on local politics.

The Case of Lima's Fixed-Post Vendors. The empirical base of this study is centered on one type of street vendors in one Latin American city. Fixed-post vendors represent a unique case within the universe of workers commonly thought to be 'informal.' Their particular working conditions produce a level of interaction with the state that is uncharacteristic of other types of urban, non-industrial, non-wage-earning workers. Thus, they constitute an exception to the otherwise reasonable rule that these workers are, in one form or another, excluded from state regulation. The unique characteristics of fixed-post vendors are explored further in Chapter Two.

The case of Lima is probably less unique, although the scarcity of in-depth studies of the politics of street commerce makes it difficult to determine how Lima compares. Within the universe of Latin American cities, Peru's informal sector is relatively large (see Table 1.3). While the measurements presented in the table do not necessarily imply that Peru's street vending sector is also relatively large, street vendors often form a significant percentage of informal workers,⁸ so it is possible that Lima has more street vendors than other cities.⁹ Recent surveys suggest that street vendors constitute about 10 percent of the economically active population in Lima,

⁸ See, for example, Carbonetto et al. (1988).

⁹ Recent estimates of the number of street vendors in Lima are presented in Appendix 1.

and between one-fourth and one-fifth of Lima's informal sector. Nonetheless, the general phenomenon of street vendors packing tightly into the streets of congested commercial areas is hardly unique to Peru. Indeed, the types of public policy problems that Lima's fixed-post vendors create can be found in urban centers throughout the developing world.

Table 1.3. Informal Sector as a Percentage of Employment, Latin America

Country	% of Employment	Year of estimate
Argentina	47.7	1998
Bolivia	52.6	1997
Brazil	37.2	1998
Chile	32.4	1998
Colombia	46.9	1998
Ecuador	52.5	1998
Mexico	44.8	1998
Paraguay	57.9	1996
Peru	48.2	1998
Uruguay	33.7	1998
Venezuela	38.3	1998

Source: ILO (2002): 237-241. For each country (where possible), the series produced by the ILO regional office is presented for the year 1998. The table thus presents the most standardized data possible across countries.

It is likewise difficult to determine whether the particular dynamics of street vending in Lima are typical of other large third-world cities. The generic issues of taxation, licensing, and other forms of regulation certainly appear in a variety of contexts.¹⁰ Likewise, the problems of policy incoherence described in this dissertation are likely to be found in other capital cities where national, metropolitan, and

¹⁰ See, for example, Ferchen 2003 on the case of Nanjing, China; Bhowmik 2004 on the case of Mumbai, India; and Joint Executive Committee 2000 on the case of Durban, South Africa.

municipal laws simultaneously apply to street commerce. Nonetheless, it is possible that the cycle of *desgobierno* described here is rooted in political circumstances that are unique to Lima. The dissertation thus makes no claims of universal applicability; rather, it provides an empirical basis to which comparisons of other cities, with further study, might be made.

Data Collection. The project combines an array of qualitative and quantitative data to uncover patterns of cooperation and conflict among street vendors and governments in Lima. Forty-two in-depth interviews with representatives of the Peruvian academic, policy, and NGO communities were conducted to gather background information about the politics of the informal sector in Lima, as well as contacts among leaders of vending organizations at the three research sites. Based on these initial contacts, I then interviewed 34 leaders of vending organizations and microenterprise organizations¹¹ in the three focus districts, and conducted dozens of informal interviews with street vendors who were not leaders. Follow-up interviews were conducted with about a third of the leaders to cross-check information and to collect more in-depth data than the initial interview allowed. These interviews helped uncover similarities and differences across the three research sites, characteristics of the major actors in each area, and strategies employed by vending leaders in their negotiations with state officials over time. Interviews with metropolitan and municipal officials provided insight into the perspective “from above.”

¹¹ The term ‘microentrepreneurs’ is defined as owners of productive or commercial units that employ fewer than five people, and that exist in off-street, private commercial spaces. The interviews with microenterprise organizations helped provide insight into the array of allies and enemies of street vendors for the over-time comparison of Gamarra.

In addition to the in-depth interviews, I searched local archives for primary and secondary sources of information about government policy toward street vendors and microentrepreneurs and about the activities of their organizations. These searches yielded information from local newspapers (chiefly *El Comercio*, *La República*, *Expreso*, and *Ojo*); local universities (the Pontificia Universidad Católica del Perú and the Universidad Nacional Mayor de San Marcos); the Peruvian national library and national statistical institute (INEI); the libraries of the International Labor Organization and several local research institutes, including IEP and DESCO; and the archives of local NGOs, including Alternativa, SASE, IDESI, CASI, and INICAM.

To supplement the qualitative data generated by interviews and archives, I conducted a sample survey of street vendors and microentrepreneurs at the three research sites in June 2003. The survey, called the 2003 Microbusiness Survey, was based on an original sampling frame constructed with the help of a local research team. Data collected for the survey were used to help evaluate similarities and differences between street vendors and microentrepreneurs, and to deepen the cross-district comparison of political dynamics at the three research sites. A detailed description of the survey methodology is presented in Appendix 2. A second survey, the 2002 CIRELA Survey of Lima Residents, provides additional data on street vendors and other types of informal workers. The methodology for the CIRELA survey is presented in Appendix 3.

A fourth source of data came from many hours as an observer in selected street markets and in the activities of the main federation of street vendors in Lima, FEDEVAL. The organization's leaders were generous enough to invite me to several

meetings, conferences, and events that exposed me to the internal dynamics of the organization and offered me the opportunity to maintain consistent contact with several organization leaders over the course of twelve months of fieldwork. This privileged position as an observer contributed to my understanding of the major national and metropolitan policies regarding street commerce, vending leaders' views on those policies, and the evolution of the federation's activities over the past two decades.

Finally, one leader of a street vending organization in Gamarra was kind enough to share with me a personal archive of over 1,000 pages on the evolution of street commerce in La Victoria. The archive included newspaper clippings, magazines, newsletters, fliers, records from various street vending organizations in the district, records from the failed attempt to implement the FOMA and CTMCA in the mid-1990s, and a wealth of other materials that helped shed light on all dimensions of the politics of street vending. This archive formed the empirical basis of the over-time comparison in La Victoria, and enabled me to construct a detailed account of street politics under each administration included in that comparison. The leader who donated the archive also spent dozens of hours going over the material with me and answering a multitude of questions about its contents.

The Chapters to Follow

The chapters of the study are organized as follows. Chapter Two shows how and why fixed-post street vendors are unique within the universe of 'informal' workers. The chapter explains how the gradual occupation of strategic commercial

areas and the development of social networks among fixed-post vendors facilitate the formation of base-level associations of vendors. Vendors who do not have fixed posts – that is, ambulatory vendors and vendors with mobile posts who change locations over the course of the day – are significantly less likely to form associations than those with fixed posts. The chapter then shows how densely concentrated commercial areas in central parts of the city differ from the peripheral areas in terms of the development of allies and enemies of street vendors. It concludes by discussing the specific policy setting that frames conflicts over fixed-post street vendors in Lima.

Chapter Three explains how political conditions and public policy decisions at the national and metropolitan levels of government affect the dynamics of street politics at the local level. Partisan politics and shifts in the prevailing ideological climate in Peru have framed the choices available to local politicians who face the need to govern street commerce, as well as the likelihood that politicians would implement vendor-friendly policy measures at different points in time. In the 1980s, the political left made substantial electoral gains, and the prevailing ideology toward the informal sector was relatively sympathetic toward street vendors. These political and ideological conditions made possible the passage of a pro-vendor metropolitan-level policy framework, and prompted efforts on the part of many local politicians to enact that framework in its entirety. In the 1990s, by contrast, an emphasis on law and order in national politics, as well as the formation of new political parties and the disappearance of the political left, increased the likelihood of hostile policies toward vendors. This ideological and partisan shift also influenced policy content at the national and metropolitan levels. Policies issued in the 1990s fundamentally

contradicted those issued in the 1980s, and the resulting policy incoherence has contributed to the cycle of *desgobierno* that presently characterizes Lima's streets.

The following chapter turns from the national and metropolitan levels to the local level. Using the cases of Gamarra and Caquetá, it explains how the formation of distinct local political arenas affects the dynamics of street commerce in particular urban spaces, as well as the individual characteristics of vendors in each locale. Three local-level characteristics influence the interaction of vendors and governments. First, the timing and nature of Gamarra's formation created extremely high financial stakes there, while Caquetá's development produced relatively low stakes. Because of the high stakes in the zone, Gamarra attracted a set of powerful enemies of street vendors who have played a key role in the relatively combative politics of street commerce in that area. By contrast, the absence of strong enemies of vendors, and the presence of a strong ally in the form of a powerful pro-poor NGO, has helped vendors in Caquetá avoid a similar level of violent conflict. Finally, the high stakes and powerful enemies of vendors in Gamarra, along with policy incoherence inherited from higher levels of government, have contributed to extreme policy oscillation at the district level. These three local-level conditions have helped make vendors in Gamarra less associative, less politically engaged, and more cynical about politicians than vendors in Caquetá.

Chapter Five turns from the state side to the vendor side of negotiations over formality. The chapter first describes the efforts of vendors to "scale up" their organizations from street-level associations to sub-district, district, metropolitan, and national federations. It then argues that vending federations are more likely to unite behind a single, comprehensive strategy for formalization when political conditions

are favorable, and they are more likely to divide over disagreements about strategy when they perceive threats to their survival. Thus, the behavior of federation leaders is to a large extent conditioned by state-centered factors. The remainder of the chapter shows how this pattern is reproduced at the metropolitan and national levels, where vending federations currently face considerable political hostility and remain weak and politically marginalized.

Chapter Six integrates the arguments presented in previous chapters in a single over-time comparison in the district of La Victoria, where Gamarra is located. The chapter shows how street commerce in the district cycled through each of the four scenarios summarized in Table 1.2. From 1993-94, early in the administration of Mayor Carlos Caamaño Castro, the prospects for achieving sectoral governance were high; the new mayor signed an agreement with the three major vending federations in the district to implement a comprehensive formalization regime, and the federations were unified behind it. During the next two years, however, the administration abandoned its comprehensive strategy and began to implement only certain formalization measures while eliminating others. This shift in strategy led to considerable conflict between vendors and governments. The next municipal administration shifted back to a comprehensive approach to street commerce, but that approach was relatively anti-vendor, and the federations split over disagreements about the appropriate response. By the end of the 1990s, both sides had abandoned the idea of comprehensive sectoral governance, and the result was a return back to the status quo of street-level governance.

The final chapter discusses the theoretical, methodological, and policy implications of the dissertation's key findings. Two points will be highlighted here. First, the study shows that the question of formality among this particular group of workers is, fundamentally, a political one. Attempts to regulate street vendors always have political roots; they are made by politicians who operate within a specific ideological and electoral context. Only by investigating those political roots can we understand, and potentially correct for, the current deficit of stable governance in the street vending sector. Second, the research presented here provides new insights into the emerging system of interest representation in Latin America. Though street vending associations by and large have been unsuccessful in achieving sectoral governance, their prospects for developing linkages with other social actors remain promising.

Chapter Two: The Unique Characteristics of Fixed-Post Vendors

Chapter One introduced the argument that vendors with fixed posts have special characteristics that make them unique within the universe of informal workers. Fixed-post vendors are not only different from other types of informal workers, they are also distinct from other types of street vendors – specifically, ambulatory vendors, who walk around the streets carrying their merchandise in small trays, in bags, or in their hands; and mobile-post vendors, who push carts from one location to another over the course of the day. Most importantly, fixed-post vendors have greater organizational capacity, and are more likely to be subject to active state regulation, than these other types of workers. This chapter shows how and why fixed-post vendors have these special characteristics.

Specifically, the chapter identifies three factors that contribute to the special status of fixed-post vendors: (1) their tendency to form social networks in the streets they occupy; (2) the pressing set of public policy dilemmas that are often associated with high concentrations of fixed-post vendors; and (3) their propensity to develop allies and enemies within specific urban spaces. All of these characteristics are specific to fixed-post vendors, and all are most prevalent in areas of dense commercial concentration where vendors gather in large numbers. It is their stationary occupation of public space in high-density areas that gives fixed-post vendors these special characteristics.

Because large concentrations of fixed-post vendors create urgent public policy issues, they are very likely to attract state intervention. In downtown Lima, the congestion, noise, traffic, and crime associated with street markets led to the

development of a landmark 1985 metropolitan-level ordinance designed to provide a comprehensive framework for governing street commerce and for resolving some of those problems. However, the specific terms of this metropolitan ordinance, introduced at the end of this chapter, would eventually contribute to the policy incoherence that helps perpetuate *desgobierno* in the sector today.

Street Markets, Social Networks, and the Formation of Associations

The capacity of fixed-post street vendors to form associations is intimately linked to their ability to develop social networks. These social networks may form before, during, or after the process by which vendors come to occupy the streets. However they form, it is the collective occupation of a common urban space that facilitates their development. Vendors who set up stands or stalls on the same street share a common space, and as a result they have the opportunity to discuss their common problems, exchange information, and lend one another a hand over the course of the day. Thus, as Bayat (1997: 15-19) argues, shared space in the streets can provide a setting in which individual vendors develop both active and passive networks that facilitate collective action.¹

Observers of street commerce in Lima disagree over the precise role that social networks play in the formation of vending associations. The dominant perspective is that they are by and large rural migrants whose insertion into the urban economy is a

¹ According to Bayat, 'active' networks are those in which individuals actively and consciously interact, while 'passive' networks are those in which individuals mobilize instantaneously with the recognition of their common identity. His research on street traders in Tehran revealed some similar dynamics to those found in Lima.

function of underlying social networks based on kinship and provincial ties.²

According to this perspective, individual street vendors come to occupy a space on the street to sell a particular good on the basis of suggestions or encouragement from family members, friends, or acquaintances. In this early stage, there is often no need for a formal association; the social foundation for an association exists, in the form of family or place-of-origin ties, before the formal association itself does.

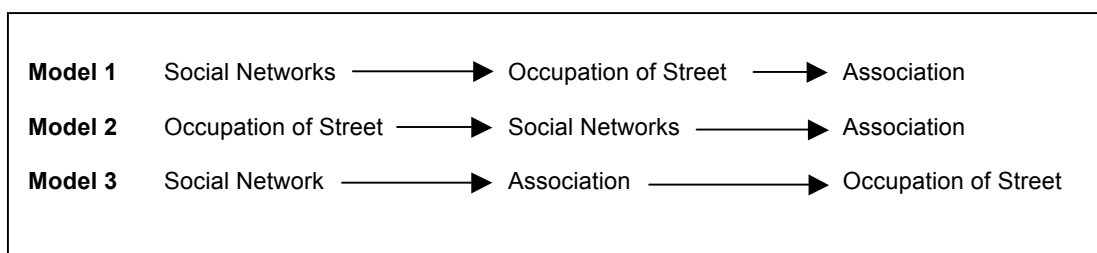
Once a critical mass is reached and the vendors develop a system to divvy up spaces, they begin to attract more attention from clients. This increase in commercial activity helps them generate profits, but it also attracts the attention of potential competitors and the local authorities. In the face of this dual threat to their livelihoods, the vendors then form associations. Consolidating the group in the form of a registered association with a name and a constitution can help grant legitimacy to their activities, and facilitate the organized defense of the territory once the mix of vendors diversifies beyond close friends and family. The process is therefore largely a social and cultural one whose roots lie in an ethic of self-help and coordination among social networks in rapidly growing urban centers. According to this perspective, the formation of associations is the *product* of the occupation of the streets; the social network gets the vendors to the street, and they later formalize their relationship to one another via the formation of an association (see Figure 2.1).

An alternative perspective, promoted mainly by researchers from Hernando de Soto's Institute of Liberty and Democracy (ILD), views the formation of associations as a *component* of the process of occupying the streets, rather than a product of it.

² Adams and Valdivia 1994; Figueroa, Altamirano and Sulmont 1996; Grompone 1991; Sulmont 1999.

ILD researchers place more emphasis on the legal aspects of street vending than the cultural aspects. This legalist perspective was most thoroughly articulated by Enrique Gherzi (1989), whose article coined the term ‘special rights of dominion’ to help explain the relationship between occupation of the streets and the formation of vending associations. Gherzi argues that because street vendors lack the formal legal right to use public space for private commerce, they instead develop their own system of rights and obligations to take the place of formal law. The central component of this system is the ‘informal right’ to occupy a particular swatch of land; an individual street vendor can only consolidate this right after he or she has occupied the same spot repeatedly over a long period of time. Once vendors have occupied the space over time, they develop social networks and form associations in order to help consolidate these rights and legitimize their claims to the exclusive use of a particular plot of street or sidewalk – what he calls the ‘special rights of dominion.’ In these cases, an association forms as part of the consolidation of these rights.

Figure 2.1. Three Models of Association Formation



Both of these perspectives view social networks as a critical part of association formation, though they differ in terms of sequence. Social networks in this setting

may therefore be thought of in “pre-” and “post-” terms. In the first scenario, social networks pre-exist as part of family, residential, or friendship ties. These pre-existing networks facilitate the concentration of vendors who know one another in a particular space, and they eventually form an association when the need to defend that space arises. In the second scenario, vendors who may not know one another incrementally set up their posts on the same street, perhaps because it offers strategic advantages, such as a high volume of pedestrian traffic. As this process of concentration develops, vendors on the same street come to know each other and develop networks to divvy up space and adjudicate territorial disputes. In this case, the social network is a post-concentration development.

A third model is an organized invasion of a street, along the lines of a traditional land invasion.³ According to Sulmont (1999: 38-39), this third model employs many of the tactics of land invasions; vendors put together a semi-formal group or association of members first, identify a site collectively, and invade overnight, planting Peruvian flags in the ground at their posts as a way of symbolically lending themselves legitimacy. Vendors who have followed this model call it *tomando por asalto las calles*: taking the streets by force. In this model, the association – even if it is not legally constituted as such beforehand – is a necessary step for the coordinated invasion to occur. That is, unlike the previous two models, both the social network and the association exist *before* the vendors occupy the street.

There is some recent evidence to support each of these perspectives on social networks and association formation. First, street vending is, for many, a family affair.

³ For a detailed description of how land invasions take place, see Collier (1976).

Nearly 60% of fixed-post street vendors surveyed in Gamarra and Caquetá reported that at least one family member helps them with the post, and over 25% of vendors in those areas said that two or more help out.⁴ Having family members help at one's post does not necessarily mean that a family member helped that person become a street vendor, of course, but familial ties often signify a deeper social connection to a particular street market. Many families operate multiple posts at the same market, so that spouses, children, and other relatives can rotate among the posts according to their personal schedules. In these instances, vendors are likely to know people at the market independent of whether they belong to an association.

The idea that vendors come to occupy a certain space because of provincial ties is also supported to some degree, though again, the evidence is not overwhelming. Adams and Valdivia's interviews of twenty informal workers in 1990 and 1991 uncovered a common history among many vendors who had migrated from Peru's inland provinces and used ties to other *provincianos* to gain entry into their livelihoods as street vendors.⁵ Sulmont (1999) likewise discovered that family and provincial social ties brought many entrepreneurs from the countryside to the streets of Gamarra. However, the 2003 Microbusiness Survey data suggest that migrant ties are probably either more prevalent in areas outside the central city where new settlements have formed more recently, or that migrant ties may have been more prevalent a decade or two ago when rates of migration were higher. As Table 2.1 shows, more than 50 percent of street vendors in Caquetá interviewed for the survey were born in Lima, and

⁴ Source: 2003 Microbusiness Survey.

⁵ Adams and Valdivia (1994).

nearly 40 percent of those in Gamarra were Limeños. No other department⁶ accounted for more than 12 percent of street vendors in either area, and only a handful of departments – Ancash, Ayacucho, Junín, and Piura – accounted for more than 6 percent of vendors at either site.⁷

Table 2.1. Department of origin by place of work (%)

	Caquetá	Gamarra
Lima	52.5	39.8
Ancash	6.8	4.6
Ayacucho	5.1	8.3
Junín	6.8	12.0
Piura	1.7	6.5
19 Others	27.1	28.8

Source: 2003 Microbusiness Survey (n=228).

Moreover, provincial origin was not significantly related to membership in an association among those surveyed. As Table 2.2 shows, nearly identical percentages of Limeños and *provincianos* in Caquetá and Gamarra reported that they belonged to associations, and the relationship was not statistically significant. The evidence thus suggests that the first model of association formation is probably accurate for some vendors, but not predominant in central-city areas like Caquetá and Gamarra. In these areas, social networks are more likely developed on some basis other than provincial origin.

⁶ Departments are territorial divisions that are more or less comparable to states in Brazil, regions in Chile, and provinces in Argentina. Peru is divided into 24 departments, which in turn are divided into 194 provinces. The term *provincianos* is used in Peru to refer to anyone who was born in or lives in provinces outside of metropolitan Lima.

⁷ Of course, having the same department of origin as another vendor does not necessarily mean having social ties with that vendor. The percentage of vendors from each district who have social ties based on departmental origin is therefore probably very low in both Caquetá and Gamarra.

Table 2.2. Place of origin by association membership (%)

	Member	Non-Member
Lima	63.0	37.0
Provinces	65.1	34.9

Source: 2003 Microbusiness Survey (n=228).

The second model argued that associations form only after the collective occupation of a street has generated social networks on that street. According to this perspective, associations form to help vendors consolidate their ‘special rights of dominion’ over certain swatches of ground. Again, some evidence exists to support this view of association formation. Dozens of interviews conducted in 2001 and 2002 in Lima corroborated the idea that vendors must appear every day at the same location for an extended period of time to set up and monitor their stands in order to consolidate a spot as “theirs.” Observation of several street markets also confirms this notion. Vendors arriving to set up their stalls on Aviation Avenue just outside the retail market in Gamarra, for example, meticulously stake out the same patch of street or sidewalk each day by placing themselves at the same distance from a building, a street, a gate, or another vendor each time. Thus, it is difficult to dispute the notion that vendors’ repeated occupation of a particular space over time is a necessary condition for the defense of their territory.

However, in some cases vendors develop their own norms for allocating space on a street without the need to create a formal association. Leaders of several associations interviewed for this project said that they formed an association to collectively defend themselves from police expulsion, rather than to help consolidate

their rights to particular individual spaces on the street. Moreover, many vendors view the *sis*a as the equivalent of obtaining that right.⁸ In their view, associations are useful for resolving small-scale problems, but the issue of rights is one that is resolved independently through the payment of the daily tax.

The third model of association formation is likewise evident in the case of some vending associations, but not all of them. In this model, a group of vendors with pre-existing social networks form an association for the purpose of coordinating a large-scale invasion of a particular street or block, so that their collective occupation of the street is a product of association rather than a cause of it. One example of such an association is AVAMDEGA, the Association of Street Vendors Expelled from Gamarra. The members of this association worked on the central thoroughfare of the garment district until the municipality expelled them in 1999. After the expulsion, these vendors, who had known each other from vending on the same street prior to the expulsion, formed a new association and planned an overnight invasion of Jirón América, a street one block away from the formal boundaries of the garment district. Once they occupied the street, AVAMDEGA then initiated negotiations with the authorities, and consolidated a deal that would allow them to stay on that street. Thus, the case of AVAMDEGA – while fairly exceptional in the area in and around Gamarra – offers an example of the third model of association formation.

Regardless of which model most accurately describes the formation of vending associations in Lima, those associations are more prevalent among fixed-post vendors

⁸ See, for example, “Ambulantes consideran que pago de ‘sisa’ les da derecho a trabajar en la vía pública,” *El Comercio* 26 March 1995.

than other types of vendors, and they are more prevalent in areas of dense commercial concentration than in outlying areas of the city. Table 2.3 provides evidence for the contention that associations are more common among fixed-post vendors, though that evidence is somewhat indirect. The data are drawn from the 2002 CIRELA Survey of Lima Residents, which produced a combined, metropolitan-wide sample of 140 fixed-post, mobile-post, and ambulatory vendors. The table shows the results of two questions: whether an association or union exists at the respondent's workplace, and whether the respondent has ever belonged to a work-related association or union. As the results show, mobile-post vendors were about three times more likely than ambulatory vendors to have an association at their workplace, and fixed-post vendors were over five times more likely than ambulatory vendors to have an association.⁹ Likewise, a greater percentage of fixed-post vendors had belonged to a work-related association than mobile-post vendors, and a greater percentage of mobile-post vendors had belonged than ambulatory vendors.¹⁰

Table 2.3. Permanence of work venue and associations

	Has an association at workplace	Has belonged to a work association (%)
Ambulatory vendors	2.9%	7.1%
Mobile post vendors	9.1%	8.8%
Fixed post vendors	15.8%	10.5%

Source: 2002 CIRELA Survey of Lima Residents (n=140).

⁹ The chi-square statistic was significant at the .05 level.

¹⁰ The survey did not ask directly whether the respondents currently belonged to a work-related association.

Vending associations are also more prevalent in areas of dense commercial concentration, such as the two research sites selected for this study. Each site is located near a central distribution center for wholesale and retail commercial goods in the city. The first, Caquetá, lies near the intersection of the north-south Pan-American Highway linking Lima with other coastal cities and the east-west Central Highway that links Lima with the country's inland provinces. The second, Gamarra, is adjacent to the city's largest wholesale and retail markets, as well as the Central Highway leading up to the Andean mountains.

According to the most recent estimates available, Caquetá currently has 18 associations that group together more than 2,500 fixed-post street vendors,¹¹ and Gamarra has roughly 80 associations in total,¹² of which about 70 are fixed-post vending associations.¹³ The rates of association membership among fixed-post vendors from Caquetá and Gamarra sampled for the 2003 Microbusiness Survey are vastly higher than the rates of membership for the CIRELA combined sample. Table 2.4 below displays these results: over 50% of fixed-post vendors in Gamarra, and over 70% of fixed-post vendors in Caquetá, belong to an association, while the city-wide rate of membership in associations for a combined sample is just 8.5%. The dramatic difference in association membership among these two groups is largely a result of location.

¹¹ Nolasco and Carbajal 2001: 3.

¹² Almanza San Miguel 2004: 2.

¹³ The current number of fixed-post vending associations in downtown Lima is unknown, although it is certain that their numbers were dramatically reduced after the 1996 expulsion.

Table 2.4. Association membership by zone (%)

	% who belong*
Gamarra	54.5
Caquetá	73.5
CIRELA sample	8.5

Source: 2003 Microbusiness Survey (n=228) and 2002 CIRELA Survey of Lima Residents (n=140).

*The third row, which gives the results for the CIRELA sample of street vendors, shows the percentage of respondents who reported that they have at some point in their lives belonged to a work-based association.

Territorial Defense, Public Policy Problems, and State Intervention

In addition to their propensity to form organizations, fixed-post vendors are also unique in that their collective presence in the streets, particularly in dense concentrations, can create a specific set of public policy problems that attract the intervention of the state. The most urgent problem is the congestion created by their stationary occupation of public space. In small doses, vendors who congregate on a particular sidewalk or near an intersection may not create a problem urgent enough to warrant state intervention. Yet vendors tend to seek out the most profitable locations for their businesses, and those prime locations are often near other sites that attract a high volume of customers, such as the city's wholesale markets. With a high volume of customers typically comes a high volume of street vendors.

Street vendors exacerbate existing problems of congestion by setting up stationary stands in the streets and on the sidewalks. When vendors colonize the actual street, as opposed to the sidewalks or medians, vehicular traffic comes to a standstill, and important traffic arteries become impassable. Such blockages not only harm ordinary drivers, but also transportation companies, taxis, neighbors, and

merchants with off-street, formal stores in the area. The congestion, along with the complaints of these affected groups, can compel the authorities to take action.¹⁴

Congestion in strategic commercial areas caused by street vendors can also generate public pressure on the state via the media. For example, the country's leading newspaper (*El Comercio*) and leading magazine (*Caretas*) reported regularly on the congestion and chaos resulting from vendors' occupation of streets in the city's Historic Center during the 1980s. Continuous articles documented the battle between vendors who had participated in coordinated invasions of strategic streets in the downtown area and the Metropolitan Municipality of Lima, which was under pressure to protect the downtown area from being overrun by vendors.¹⁵ Other articles were more specifically geared toward calling on city authorities to take prompt action on the vendor issue; one headline from 1989, for example, announced that street vendors were "asphyxiating" Lima, and another stated that the absence of clear laws governing street commerce were directly responsible for the chaos on the streets.¹⁶ Another declared that Lima was "sick with 'street vendor-itis.'"¹⁷

The pressure generated by the media and those affected by vendor-related congestion can be sufficiently intense that the authorities take measures to regulate high-density areas. Metropolitan officials have experimented with dozens of policy

¹⁴ For just two examples of the dozens of newspaper articles documenting the severity of the traffic problems each year, see "Caos vehicular y comercio informal ahogan la Avenida Aviación," *El Comercio* 12 November 2001: A8, and "Caos vehicular y comercio informal imperan en Aviación," *El Comercio* 13 November 2001.

¹⁵ See "Vendedores ambulantes invaden la avenida Grau," *El Comercio* 3 October 1986: D2, and "La Invasión," *Caretas* no. 934, 14 December 1986, for a couple of examples.

¹⁶ "Comerciantes informales están 'asfixiando' Lima," *El Comercio* 12 September 1989: A8, and "Falta de normas legales posibilita invasiones y desmanes de ambulantes," *El Comercio* 1 November 1995: A11.

¹⁷ "Lima enferma de 'ambulantitis,' *El Comercio* 5 December 1994: A12.

measures designed to move vendors off the streets and relieve congestion in strategic downtown areas over the years. These measures include simply prohibiting street vending on certain streets¹⁸; imposing the *sisa* to keep non-paying vendors out; requiring licenses to create a barrier to entry; relocating vendors to vacant parking lots or other unused patches of space; creating *campos feriales*, a sort of fairgrounds in the medians of wide streets set aside specifically for the purpose of relocating certain groups of vendors; and constructing buildings and helping vendors relocate inside them by offering training, credit, subsidies, and other incentives.

Fixed-post vendors who congregate in strategic commercial areas are thus quite easily subject to state regulation because of the congestion they create. Ambulatory vendors and mobile-post vendors, who tend to be scattered throughout the city and who do not cause similar problems with congestion, do not attract such intervention. Moreover, the congestion associated with fixed-post vendors creates corollary problems that call for additional regulation.

Among these corollary public policy problems is the fact that high concentrations of fixed-post vendors create an atmosphere in which petty crime can thrive. The prevalence of noise, trash, and generalized chaos in street markets that are not well governed add to this problem. The streets surrounding the garment district of Gamarra are emblematic of these problems: according to one newspaper article, it can take 45 minutes to travel nine blocks by car on those streets, and pickpockets and petty thieves can easily strike and then meander their way through the traffic, hiding behind

¹⁸ In Lima, streets and areas where vending is prohibited are labeled *zonas rígidas*. Metropolitan Ordinance 002 assigned municipal authorities the responsibility to declare *zonas rígidas* within their jurisdiction.

cars and blending into the crowds to avoid being identified or caught. The headline to that article is indicative of the extent of these problems: “Huánuco Street agonizes between chaos and informality: Invaded by street vendors, informal buses and thieves, the entryway to Gamarra is a territory kidnapped by indifference.”¹⁹ Officials in the area see the removal of fixed-post vendors from the street as the only viable way to recapture order.

The stationary occupation of streets on the part of fixed-post vendors thus creates a unique dynamic of vendor-state interaction from which ambulatory vendors and mobile-post vendors are excluded. Ambulatory vendors meander through traffic, hop on and off buses, and patrol streets where other vendors are absent, and mobile-post vendors are most frequently scattered across different street corners where they easily stand out and attract customers. Fixed-post vendors, by contrast, intentionally participate in the creation of congested areas in order to gain access to the highest volume of clients possible. In the process, their activities often help generate levels of traffic, noise, pollution, and crime that city officials cannot easily tolerate.

Allies and Enemies in Areas of Dense Concentration

A third unique characteristic of fixed-post vendors is that they are much more likely to develop allies and enemies within a certain urban space than other types of vendors. In terms of allies, fixed-post vendors who have occupied a certain area for several decades, and who face hostile interventions from the authorities, can attract the assistance of NGOs dedicated to improving employment availability and quality. In

¹⁹ “El jirón Huánuco agoniza entre el caos y la informalidad,” *El Comercio* 18 October 2001: A10.

Caquetá, where vendors have occupied the streets since the 1950s, the NGO Alternativa has provided consistent support to vendors over the years. Among Alternativa's activities in Caquetá are publicity campaigns encouraging vendors to attend their association's meetings and participate in committee work; cleaning campaigns designed to involve vendors in the upkeep of their markets; and efforts to raise vendors' awareness of their leaders' efforts to improve working conditions.²⁰ Alternativa also provides logistical support for conferences, meetings and events with other outside actors, which can boost vending organizations' visibility and facilitate cooperation with important political actors. It also conducts leadership training, and publishes studies of the sector to assist organization leaders.²¹ This NGO not only helps vendors form and maintain organizations,²² but also assists vendors in reducing the public policy problems (such as congestion, trash, and noise) that attract state hostility, and plays a central role in negotiations over formalization.

In certain areas of the city, neighboring residents can also be an important ally of fixed-post street vendors. Neighborhoods that lack supermarkets depend on street vendors to distribute basic household goods and supplies that residents need to maintain their homes. Street vendors also offer distribution points for fresh fruit and vegetables, and they sell their merchandise at competitive prices by eliminating the

²⁰ To give one example, Alternativa helped print and diffuse laminated signs with the "Ten Commandments of the Street Vendor" to be displayed on vending posts. Among the commandments were to always attend and participate in association meetings, and to always ask one's association leader how one could help out rather than waiting for the leader to ask for help.

²¹ Other NGOs that provide support to fixed-post street vendors include DESCO, which has focused primarily on the Southern Cone, including the districts of Villa El Salvador and Pachacamac; and EDAPROSPO, which works in the districts of Ate-Vitarte, Chaclacayo, Carabayllo, Comas, and Santa Anita.

²² The important role that Alternativa plays in supporting vending organizations in Caquetá is evident in the 19% difference in association membership between Caquetá and Gamarra shown in Table 2.4.

type of overhead costs that supermarkets bear. Without vendors, these residents would face higher costs – in terms of time and money – to obtain the everyday goods they need.

Moreover, vendors in these areas often have much closer social ties to their customers than those in areas where vendors compete with supermarkets for clients. For example, Aliaga’s 2002 study of fixed-post street vendors in the district of Independencia found that most vendors in that area rely on people they know as their clients. Indeed, Table 2.5 shows just how striking the difference is: while over 95% of vendors in Gamarra and Caquetá reported that their principal clients were “the general public,” nearly 60% of vendors in Independencia said that they sell primarily to friends or acquaintances. In areas like Independencia, neighbors and friends thus constitute an important ally for vendors with fixed posts.

Table 2.5. Street vendors’ principal clients, by zone (%)

	Gamarra	Caquetá	Independencia
Neighbors	0.9%	0.8%	21.6%
Friends or Acquaintances*	1.8%	0.8%	59.8%
Paisanos	0.9%	0%	1.7%
Strangers / general public	95.5%	98.3%	16.9%

Source: 2003 Microbusiness Survey (Gamarra and Caquetá) and Aliaga (2002), Table 8 (Independencia).

*The category “friends or acquaintances” also includes family members in the Aliaga study.

In central-city areas like Gamarra and Caquetá, street vendors can even find important allies among workers who own or run formal, off-street shops. For example, small-scale producers of textiles in the garment district rely on street vendors

to distribute their goods at the retail level. As Chapter Four will argue, small-scale producers in that area often either abstain from the battles between street vendors and their enemies in the area, or they take the side of vendors, because vendors represent an important component of their clientele. As is the case with NGOs, shopkeepers can thus play an important role in the dynamic between fixed-post vendors and governments as negotiations over formality develop.

Perhaps more obviously, fixed-post vendors also develop strong enemies in areas of dense commercial concentration. In some cases, the most vocal opponents of fixed-post vendors are owners of formal, off-street shops for whom street vendors are competitors, rather than customers. Vendors can block the entrances to shops by setting up posts directly in front of them, which in turn can cut down on the number of clients who enter the building to shop. Vendors who sell the same thing as merchants inside also take away clients by getting to them first, out on the sidewalks, so that the clients find what they want outside and have no need to enter the building. On a broader scale, the congestion and associated problems that vendors create in the streets approaching areas like the garment district can deter customers from coming to the area to shop. As a result, investors in real estate, along with other ‘power brokers’ in a given area, can become extremely powerful opponents of fixed-post vendors and pressure governments into undertaking ‘eradication’ measures. This type of dynamic is described in detail in Chapter Five.

Although neighboring residents in some cases constitute loyal allies of street vendors, they too can become enemies of vendors whom they view as responsible for causing problems for the neighborhood. In particular, neighbors place pressure on

local governments to address the street vending problem when the levels of trash and noise become intolerable. To give one example, a resident on the street of Pocitos in Caquetá reported in an interview that trash associated with street vending at one point had accumulated into piles more than a meter high along the sidewalks and buildings. Without reliable trash collection services provided by the city, the neighbors on this street demanded that the city government take action against the vendors. The negotiations over formality in this case thus involved neighborhood associations that had a stake in their outcome.

Table 2.6. Allies and enemies of street vendors

<u>Allies and Enemies</u>		
<u>Vendor Location</u>	Allies	Enemies
Central city	NGOs Small producers	Small merchants Neighbors Real estate investors
Outlying areas	NGOs Small producers Neighbors	[None]

The formation of such allies and enemies in areas of dense concentration thus constitutes a third characteristic of fixed-post vendors that makes them stand out from other types of vendors, as well as other types of informal workers. These allies and enemies feed into the political dynamic between vendors and governments, and often have a significant impact on negotiations over the terms of formality and the outcome of those negotiations. Vendors with mobile posts, ambulatory vendors, and vendors in outlying areas where congestion, noise, and other public policy problems are minimal

are much less likely than fixed-post vendors to develop strong enemies. Similarly, other types of ‘informal’ workers – such as home workers, night watchmen, and others who do not congregate in public spaces – also typically remain uninvolved in such dynamics.

Metropolitan Ordinance 002 and the Governance of Fixed-Post Vendors

The urgent public policy problems associated with dense concentrations of fixed-post street vendors, and the resulting political battles between vending organizations and their enemies, have produced a need for metropolitan-level policies to govern street commerce for several decades. Yet only one comprehensive metropolitan-level policy, Metropolitan Ordinance 002 of 1985, has been passed in the last thirty years, and that single policy forms a central component of the policy framework within which battles between fixed-post vendors and municipal governments take place. This section introduces the main elements of that ordinance, and the next chapter discusses the policy contradictions that have arisen since its passage in 1985.

As Chapter One argued, the specific terms of formalization are endlessly disputed in Lima. Negotiations over formalization typically revolve around three basic issues: (1) taxation; (2) licensing and authorization; and (3) policy participation. The particular evolution of these issues in Lima is intimately linked to the specific terms of Ordinance 002,²³ which was designed to provide a comprehensive policy

²³ The full text of Metropolitan Ordinance 002 was published in the country’s official gazette, *El Peruano*, on 17 April 1985 (pp. 34118-34123).

framework within which individual municipal governments within metropolitan Lima could manage street commerce. While these are generic issues that arise in other parts of the world where street commerce is pervasive, the particular policy framework provided by Ordinance 002 has set the groundwork for subsequent disputes over the terms of formalization in Lima.

The taxation issue revolves around the payment of a daily tax, called the *sisa*, which governments in Lima have charged in some form off and on for several centuries.²⁴ Ordinance 002 stated that municipal governments would be entitled to charge fixed-post vendors the *sisa* in exchange for their occupation of public space on a daily basis. Half of the revenue generated by the *sisa* would be invested in a social assistance fund, called the FOMA (*Fondo Municipal de Asistencia al Ambulante*), whose beneficiaries would be authorized vendors who paid the tax. The governing board of the FOMA would be made up of representatives of both the municipal administration and the vending federations in each district. Thus, vendors could be taxed, but they would also have some say in the destination of their contributions.

The authorization issue in Lima is similarly framed by the specific terms of Ordinance 002. The ordinance stated that all street vendors would be required to obtain municipal authorization to vend in public space. Only those vendors who complied with other parts of the ordinance could be granted authorization, and vendors would be required to provide documentation supporting their compliance, along with a licensing fee (in addition to the daily tax), in order to obtain or renew their authorization. In exchange, the ordinance explicitly recognized the right to vend in

²⁴ De Soto 1989; Chávez and de la Flor 1998.

authorized spaces. It also granted vendors an avenue for policy participation by stating that the application, supervision, and control of all regulations concerning street commerce should be developed jointly by the municipal administration; a consultative commission called the CTMCA (*Comisión Técnica Mixta de Comercio Ambulatorio*) made up of municipal officials and representatives of street vending federations; base-level organizations of street vendors in each district; and the police, when issues of public order arose.

The issue of policy participation for street vendors was therefore inextricably linked to other components of Ordinance 002. Municipal governments could not banish vendors from certain streets or areas without the input of the CTMCA, nor could they establish terms for licenses and authorization without first consulting representatives of vending organizations. Governments also could not collect the *sisa* legally without allocating half of the proceeds to the FOMA, which again was to be governed jointly by government officials and vending representatives. Thus, while Ordinance 002 addressed a wide range of issues common to the governance of street commerce, it also linked them to one another in a way that was meant to limit the ability of governments to take unilateral measures against vendors.

Despite the 1985 policy's intent to provide a comprehensive, integrated framework for governing street commerce, Ordinance 002 has rarely been implemented in its entirety at the level of district governments. Part of the reason behind this lack of enforcement is the set of conflicting incentives for both street vendors and state officials presented in Chapter One. For example, district officials have a very strong incentive for implementing the *sisa*: the tax can generate a

substantial amount of revenue for the municipality, particularly in districts where thousands of vendors occupy the streets. Moreover, implementing the *sisa* without creating the FOMA would generate twice the revenue for the municipal government; thus, district officials face a strong incentive to implement only that part of Ordinance 002 and ignoring the provision that requires the FOMA.

In addition, the particular way in which policies were bundled and linked to one another in Ordinance 002 has contributed to its uneven enforcement. Municipal governments in Lima rarely have the administrative, technical, and budgetary capacity to fully enforce all of the ordinance's components. Moreover, as Chapter Three will explain, local governments do not always have the political will to implement all parts of the policy. Rather, they selectively implement only the components of Ordinance 002 that are (a) feasible and (b) advantageous within the context of the local political climate. Because each major component of the ordinance is linked to other components, however, this selective enforcement produces frequent conflict. The following chapter will explain how and why policy contradiction at the national and metropolitan levels, centered around Ordinance 002 of 1985, constrain the ability of local level politicians to govern street commerce effectively.

Chapter Three: Ideology and Politics at the National and Metropolitan Levels

The dynamics between fixed-post vendors and local governments in Lima are strongly influenced by political and policy currents at the national and metropolitan levels of government. This chapter shows how developments at the national and metropolitan levels affect street politics at the local level, and how contradictions among the three levels of government make conflict and street-level governance more likely outcomes than sectoral governance.

First, an ideological shift between the 1980s and the 1990s has put street vendors in a more vulnerable position politically than they have faced since the 1970s. The electoral success of the political left in the 1980s, along with the dominance of a structural view of the street vending problem, made tolerance toward street vendors the prevalent approach in the 1980s. That approach has been replaced with a twin emphasis on establishing order in public space and creating incentive structures to get vendors off the streets. This ideological shift has influenced policy content at the national and metropolitan levels, and pushed street commerce in its own right off the political agenda.

Second, the body of policy that has accumulated as a result of this ideological shift is contradictory and ultimately unenforceable. Policy definitions in national and metropolitan-level laws use inconsistent labels and contain overlapping and contradictory elements that make them difficult to interpret and impossible to enforce effectively. Moreover, laws passed in the 1990s contain provisions that undermine the very mechanisms that would have made Ordinance 002 of 1985 enforceable at the local level. As a result of these contradictions, vendors and local governments are

much more likely to engage in intractable conflicts than they are to achieve sectoral governance.

The Political Left and Metropolitan Ordinance 002: A Chance for Sectoral Governance

The 1970s and 1980s were a favorable time in ideological terms for street vendors and others engaged in ‘informal’ self-help activities. The military regime under General Juan Velasco Alvarado (1968-1975) actively supported squatters who had migrated from the Peruvian countryside to Lima, invaded unused land, and constructed their own housing by encouraging the formation of squatter settlements and supporting squatter organizations. In the context of rapid migration and severe shortages in housing and employment in the Peruvian capital, the regime acknowledged the need for and success of self-help activities on the part of Peru’s poor, and legitimized informal self-help as a strategy to be supported, not repressed, by the national government. This tolerance for informality was partly based on an understanding of informality as a structural problem rooted in economic crisis that could only be solved in the long term.¹

The rise of the electoral left once electoral competition was reintroduced in 1980 helped translate this tolerant view of street vending into relatively favorable policies for vendors. The primary leftist political block, United Left (Izquierda Unida, IU), developed an alliance with the principal metropolitan-level federation of street

¹ According to De Soto (1989: 84-85), a metropolitan commission charged with studying street vending and conducting a census of vendors produced a 1976 report reinforcing this structural understanding of informality.

vendors, FEDEVAL (Federación Departamental de Vendedores Ambulantes de Lima),² in the early 1980s. The alliance between FEDEVAL leaders and IU activists benefited both sides: FEDEVAL encouraged street vendors to vote for IU-affiliated candidates in local elections, and IU mayors were relatively tolerant of street vendors.

By the time the 1983 local elections had been held, IU controlled more than half of metropolitan Lima's mayoralties. Among the districts with the highest concentration of street vendors in the 1970s and 1980s were Lima-Cercado, La Victoria, and San Martín de Porres; these districts also exhibited a strong leftist orientation in the mid-1980s. Each elected an IU mayor for the 1984-1986 term,³ and IU had a strong showing in all three in the 1986 municipal elections. Street vendors also elected one of their own, Guillermo Nolasco, as a representative to the Metropolitan Lima city council for the 1984-86 term.

The IU-FEDEVAL alliance scored its most important victory with the election of IU candidate Alfonso Barrantes as mayor of the Metropolitan Municipality of Lima in 1985. The Barrantes administration's signature policy for street vendors was Metropolitan Ordinance 002. As Chapter Two explained, the three major components of Ordinance 002 were the requirements that municipal governments enact the *sisa* in exchange for the right to occupy public space; create a social assistance fund (the

² The other important street vending federations at this time were the Union of Small Merchants and Street Vendors (Sindicato de Pequeños Comerciantes y de Vendedores Ambulantes) and the Federation of Street Vendors of the Central Market and Adjacent Streets (Federación de Vendedores Ambulantes del Mercado Central y Calles Adyacentes, FEVACEL).

³ The association of high concentrations of street vendors and electoral support for the left in certain district assumes that street vendors live and vote in the same districts in which they work. Unfortunately, no convincing data are available to corroborate this assumption. However, ecological correlations between the percentage of the workforce in the informal sector and votes for the left at the district level conducted by Maxwell A. Cameron support the general notion that informal workers voted for the left in the 1980s. See Cameron (1994), chapter 2.

FOMA) for street vendors that would be funded through the *sis*a; and establish a joint commission of street vending leaders and municipal officials (the CTMCA) that would negotiate resolutions of problems related to street commerce. Ordinance 002 was the first attempt of a metropolitan government to create institutionalized mechanisms for vendor participation in decision-making. The ordinance also legalized and recognized vending organizations, articulated the rights of vendors with regard to health and social needs, and called on municipal governments to develop programs to improve employment, marketing, credit, and training.

The passage of Ordinance 002, along with a new Law of Municipalities that had been passed the previous year, provided a relatively clear and comprehensive policy regime for the governance of street commerce. The 1984 Law of Municipalities was the primary law governing the rights and responsibilities of municipal governments, and it clearly gave municipal governments jurisdiction over regulating and controlling street commerce.⁴ Municipalities would be subject to policy measures passed at higher levels of government, but they would have ultimate responsibility in working out a set of rules and regulations to govern street commerce within the framework established at the national and metropolitan levels. The law further granted municipalities the authority to levy certain kinds of taxes, including the *sis*a, for the occupation of public space.

Ordinance 002 made that framework explicit by providing definitions of street commerce and street vendors and delineating the rights and responsibilities of both

⁴ Title III, Chapter II, Article 68, paragraph 3 (*El Peruano*, June 9, 1984, p. 26248). The Spanish term *comercio ambulatorio* is translated here as “street commerce” rather than “ambulatory commerce” because in its common usage in Peru the term refers to all types of street commerce (ambulatory and otherwise).

street vendors and local governments. The ordinance defined street commerce as an “economic activity developed in *campos feriales*⁵ or regulated areas of public space that provides services and/or sales of prepared, manufactured or natural products in direct form and on a small scale.” It then defined street vendors as “workers whose capital does not exceed two UIT (*unidades impositivas tributarias*)⁶ and who, lacking any labor relation with their suppliers, exercise street commerce individually in direct form and on a small scale.”⁷ Based on these two definitions, the ordinance defined street vendors as those who (a) work in regulated public spaces, (b) have less than two UIT of capital, (c) sell directly to consumers,⁸ and (d) vend on a small (though undefined) scale. Vendors falling under this definition would be subject to a series of regulations,⁹ and in exchange municipal governments were required to respect their rights and enforce the FOMA and CTMCA.

Conflicting Incentives and Partial Enforcement at the Municipal Level

Although Metropolitan Ordinance 002 provided a comprehensive framework for street governance, conflicting incentives and a lack of political will led to the beginning of partial enforcement in the late 1980s. In districts in which IU mayors had been elected, many governments established the basic administrative

⁵ *Campos feriales* are a sort of fairgrounds, typically open-air markets, that are set up on government-owned property (usually the medians of large avenues) for the specific purpose of street vending.

⁶ *Unidades impositivas tributarias* are income units that are used to calculate taxes and fees of various kinds in Peru.

⁷ Title I, Article 3, paragraphs (a) and (b) (*El Peruano*, April 17, 1985, p. 34118).

⁸ That is, they are not wholesalers, and they are not employees of wholesalers.

⁹ The regulations included obtaining a license and paying an associated fee for that license; acquiring a health certificate; paying the *sisa* on a daily basis in exchange for the right to use public space; obtaining special authorization to sell certain kinds of products (such as prepared food); maintaining their posts at a certain size and appearance; wearing uniforms; providing proof of origin for their merchandise; and vending only in authorized space.

infrastructure to set up a FOMA and CTMCA, and had no trouble collecting the *sis*a from vendors.¹⁰ However, many other municipalities either selectively enforced certain parts of the ordinance, or ignored the ordinance altogether because of the conflicting incentives they faced. Local officials had a strong incentive to collect the *sis*a, as the small daily fee multiplied by hundreds or thousands of vendors could add substantially to the municipal budget. But the incentive to set up the FOMA and CTMCA was less strong. Where street vending organizations were weak, governments could get away with unilaterally declaring *zonas r  gidas* (zones where street vending was prohibited) without the input of vendors, as well as keeping all of the *sis*a revenue instead of transferring half to the FOMA.

Governments' partial enforcement of Ordinance 002, in turn, increased vendors' incentives for non-compliance. As soon as one part of the ordinance was not enforced, the municipality opened the door for vendors to refuse to comply with the ordinance's restrictions on the basis that the government was not holding up its end of the bargain. In particular, vendors had a good case for refusing to conform to sanctions for non-compliance that were not developed with the participation of the CTMCA, as Ordinance 002 required. In turn, governments could argue that they were entitled to charge the *sis*a without setting up the FOMA because vendors did not comply with all of the restrictions outlined in the ordinance.

¹⁰ For example, in the district of San Mart  n de Porres, the FOMA was created on April 23, 1986, and its directors established credit, health, and sanitation programs. The credit program loaned a total of US\$57,818 to 247 vendors; the health program delivered care to 1,722 patients; and the sanitation program involved 20 vendor organizations and hauled away roughly 1,100 tons of trash over a six-month period. See Alternativa, "Experiencias de Cogesti  n Municipio-Ambulantes: El FOMA en el Cono Norte de Lima" (Lima: Alternativa, 1993).

Thus, while Ordinance 002 represented a significant victory for street vendors in the context of the political left's electoral success, in practice that victory did not always translate into favorable policy at the local level. IU-affiliated mayors were more likely to attempt the complete enforcement of the ordinance than mayors with less sympathetic ideological convictions, but even in IU districts the ability of officials to enforce all of its provisions often fell short. The decline of the left at the end of the 1980s and a shift in the ideological winds eventually made the full implementation of Ordinance 002 even less likely.

The Fall of the Left and the Rise of Fujimori: From Structuralism to Legalism

Interestingly, it was not only the political left that was attempting to court street vendors in the 1980s. In 1986, Hernando de Soto's think tank, ILD, published *The Other Path*, a study of the informal sector that denounced the "mercantilist" orientation of the Peruvian state. The study paid a great deal of attention to the conditions of daily life that make it difficult for informal workers to generate savings, and that emphasis resonated among street vendors. It also offered an alternative to the structuralist view of the informal sector with what analysts have dubbed a "legalist" approach. Rather than viewing the informal sector as the result of intractable structural conditions, ILD researchers portrayed street traders as victims of excessive bureaucratic regulations and "bad laws" that provided overwhelming incentives for them to remain informal. At the same time, ILD's work challenged the Shining Path's claim that the poor could only overcome their oppression by becoming a part of the

armed struggle. Instead, De Soto and his colleagues argued that the poor could grow their informal businesses if only Peru's laws would encourage it.

The shift from structuralism to legalism took place in a series of stages. In the early years of the Fujimori administration, the new president rewarded street vendors for their electoral support by issuing a pro-vendor measure rooted in the idea that vendors were victims of structural economic problems. After the passage of that measure, however, the administration gradually came to adopt a twin emphasis on re-establishing political order in the country and liberalizing its domestic economy. That shift produced a set of policy contradictions that in turn complicated street governance at the local level.

Political Chaos and Early Rewards for Street Vendors. After the publication of its book, ILD became a target of the Shining Path's urban campaign, which had gained momentum in the late 1980s and reached its peak in the early 1990s in Lima. Shining Path guerrillas also targeted leaders of both informal squatters and informal workers who rejected the armed struggle in favor of operating within the established political system.¹¹ The very real threat of assassination prompted some leaders of street vendors to downgrade their activity in the late 1980s and early 1990s. At the same time, IU lost momentum as an electoral force, as the coalition splintered over internal disputes. Meanwhile, FEDEVAL's leadership had employed fairly caustic Marxist rhetoric throughout the 1980s, which prompted government officials and the general public to view the organization as radical, intransigent, and even dangerous in light of

¹¹ For more information about the political left during this time period, see Iván Hinojosa, "On Poor Relations and the Nouveau Riche: Shining Path and the Radical Peruvian Left," in Steve J. Stern, ed., *Shining and Other Paths: War and Society in Peru, 1980-1995* (Durham: Duke University Press, 1998).

the leftist threat posed by the Shining Path. Both IU and FEDEVAL lost credibility and supporters in this context, and by 1991 their political significance had diminished significantly.

Further complicating the chaotic political scene around 1990 was one of the worst hyperinflationary disasters in Latin American history¹²; Peru's annual inflation rate rose from 62.9% in 1986 to 7,649.7% in 1990 (see Table 3.1).¹³ This chaos set the stage for Alberto Fujimori's electoral victory as a political outsider in the 1990 presidential election.¹⁴ Fujimori's victory set into motion a distinct style of presidential intervention in the street vending sector and introduced a series of policy contradictions that would make sectoral governance at the local level an increasingly distant possibility.

Table 3.1. Annual Rates of Inflation, 1986-1992

Year	Annual Inflation Rate (%)
1986	62.9
1987	114.5
1988	1,722.3
1989	2,775.3
1990	7,649.7
1991	139.2
1992	56.7

Source: Tanaka (1998): 47.

¹² According to Cotler (2000: 19), Peru's was the second longest hyperinflationary crisis in world history.

¹³ See Richard Webb and Graciela Fernández Baca, *Perú en Números* (Lima: Cuánto, 1995).

¹⁴ Fujimori's rise of power has been documented thoroughly elsewhere and will not be treated extensively here. See, for example, Julio Cotler and Romeo Grompone, *El Fujimorismo: Ascenso y Caída de un Régimen Autoritario* (Lima: IEP, 2001) and Sally Bowen, *The Fujimori File* (Lima: Peru Monitor, 2000).

In the initial years of the Fujimori administration, the new president embraced the structural view of street commerce as part of an attempt to capture street vendors' political allegiance. Vendors were thought to have voted for Fujimori in large numbers in the 1990 presidential election, and Fujimori's rhetorical appeals of honesty and hard work were used to rally informal workers behind the new president. The Fujimori administration took advantage of its power to issue Supreme Decrees to further its appeal to street vendors. The earliest and most significant vending-related policies undertaken by the administration were Supreme Decree 005 and Ministerial Resolution 022 of 1991.

Supreme Decree 005 recognized the juridical quality of what it called "autonomous ambulatory workers" (*trabajadores autónomos ambulatorios*, or TAAs), though it provided no definition of that term.¹⁵ The decree implies that autonomous ambulatory workers are the same thing as street vendors by referring to a national Law of Street Commerce that the administration had apparently planned to pass, though such a law never materialized. A Ministerial Resolution (No. 022) issued as a follow-up to Supreme Decree 005 then defined 'autonomous ambulatory workers' as those who maintained a maximum level of working capital to be determined by each municipality, rather than the two UIT limit established in Ordinance 002.¹⁶ These measures thus introduced an element of confusion over the terminology and definitions to be applied to those who sold merchandise in the streets.

¹⁵ Supreme Decree 005 was published in *El Peruano* on January 26, 1991, p. 93570.

¹⁶ Ministerial Resolution 022 was published in *El Peruano* on February 7, 1991, p. 94460.

Table 3.2. Major National and Metropolitan-Level Policies, 1984-1993

Level	Relevant Policies	Date Passed	Date Published*
National	Law of Municipalities (Law No. 23853)	May 28, 1984	June 9, 1984
Metropolitan	Metropolitan Ordinance 002	April 2, 1985	April 17, 1985
National	Supreme Decree 005	January 25, 1991	January 26, 1991
National	Ministerial Resolution 022	February 6, 1991	February 7, 1991
National	Law of Microenterprises (Legislative Decree 705)	November 5, 1991	November 8, 1991
National	Law of Employment Promotion (Legislative Decree 728)	November 8, 1991	November 12, 1991
National	Law of Municipal Taxation (Legislative Decree 776)	December 30, 1993	December 31, 1993

*Laws, Decrees, Resolutions, and Metropolitan Ordinances generally go into effect one day after being published in the country's official gazette, *El Peruano*.

The rationale for the decree, according to its preamble,¹⁷ was that street commerce was a “social reality generated by the economic crisis that the country had suffered for several years,” and that the constitution guaranteed the right to work and the right to private property. Based on these considerations, the first article of the decree granted street vendors juridical quality as “autonomous ambulatory workers,” and the second article suspended the practice of confiscating the merchandise of street vendors who were found in non-compliance of existing laws. However, this article did so on the basis that a new Law of Street Commerce would establish alternative sanctions for non-compliance, and that law never materialized.

Supreme Decree 005 and Ministerial Resolution 022 emboldened street vendors to resist municipal governments to expel them from unregulated areas. The

¹⁷ I use the term ‘preamble’ here to refer to what in Spanish is called the *considerandos*, or “considerings”: a series of antecedents and justifications for issuing the law that follows.

fact that the two measures cited their constitutional right to work played into a key strategy that vending federations would use for the next decade: filing legal acts, called acts of *amparo*, that accused government officials of abusing their constitutional rights. Moreover, by prohibiting the confiscation of merchandise and personal property from vendors found in non-compliance with municipal regulations, the decree took away an important incentive for vendors to comply, at least in theory. The result was that every time a municipal government passed a policy to expel vendors from a given space or threatened to confiscate their merchandise, vendors had additional legal grounds to object once Supreme Decree 005 and Ministerial Resolution 022 were passed.

Supreme Decree 005 thus represented another policy victory for street vendors, rooted in an ideological understanding of street vending as a structural problem. Yet a second element of Fujimori's ideological framework eventually helped to counteract the symbolic and practical gains vendors made from Ordinance 002 and Supreme Decree 005. Influenced by ILD's emphasis on reducing bureaucratic barriers to free and open commerce, as well as the neoliberal inclination to focus on creating the proper incentive structures to spur growth, Fujimori introduced a series of additional measures that exacerbated the policy contradictions already present by 1991.

From Street Vendors to Small Enterprises. Nine months after issuing Supreme Decree 005, the Fujimori administration passed two additional laws that would add to the definitional ambiguities already present. The first of those was the Law of Microenterprises, passed on November 5, 1991. This law introduced the term "PYMES" – the Spanish acronym for "small and microenterprises" – into the

country's legal lexicon. It defined PYMES as firms with any organizational or administrative structure that engage in any kind of productive, commercial, or service activity, in which (a) the proprietor is also a worker; (b) the total number of workers and employees does not exceed 10 persons (for a microenterprise) or 20 persons (for a small enterprise); and (c) the total annual value of sales does not exceed 12 UIT (microenterprise) or 25 UIT (small enterprise). Because it does not specify whether PYMES must work in private space rather than public space, in theory any individual who qualified as a street vendor under Ordinance 002, or as an autonomous ambulatory worker under Supreme Decree 005, could also be considered a PYME under the Law of Microenterprises, as long as that individual did not have more than 20 employees – an unlikely scenario for virtually all street vendors.

The Law of Employment Promotion, passed three days after the Law of Microenterprises, was a comprehensive measure designed to stimulate job creation at the national level. Among other things, the law called on the Ministry of Labor and Social Promotion to create programs aimed at productively converting 'informal sector firms' to formal sector firms by increasing their levels of productivity and their capacity to create additional jobs. 'Informal activities' are defined as those that "develop independently in the range of small and microenterprises...and that engage mostly in commerce, services, small industry, construction and the manufacture of basic goods destined for the domestic market." The law makes reference to existing laws defining small and microenterprises, but adds that the boundary for maximum income levels should be set by the government agency CENIP, rather than municipalities. Again, this definition of the "informal sector" could encompass street

vendors, as defined by Ordinance 002; autonomous ambulatory workers, as labeled by Supreme Decree 005; and PYMES, as defined by the Law of Microenterprises.

Table 3.3. Policy Definitions of Small-Scale Merchants

Policy	Term	Attributes				
		A	B	C	D	E
Ordinance 002	Street Vendor	2 UIT	Regulated public space	No employer	Small	*
Supreme Decree 005	TAA	*	*	*	*	*
Ministerial Resolution 022	TAA	Municipality-defined maximum	*	*	*	*
Law of Microenterprises	PYME	12 UIT / 25 UIT	*	Maximum of 10/20 employees	*	*
Law of Employment Promotion	Informal Sector	CENIP-defined maximum	*	*	*	Domestic

A=Maximum income; B=Workplace; C=Labor Relations; D=Scale of Enterprise; E=Market.
 *=not specified in policy.

Not only did the introduction of the term ‘PYMES’ add definitional ambiguity to the national-level policy framework for street commerce, it also marked the beginning of a significant shift away from the tendency of governments to view street vending sympathetically. The Law of Microenterprises called on appropriate government ministries to provide entrepreneurial training and legal assistance free of charge to all those who qualified as PYMES – which, as suggested above, could be interpreted to include street vendors. It also prohibited municipalities from requiring operating licenses and required PYMES to keep accurate books. The former measure was intended to provide incentives for self-employed merchants and PYMES to grow

their business, and the latter was intended to reduce the bureaucratic barriers to growth, in accordance with the recommendations of Hernando de Soto and the ILD. The Law of Employment Promotion was likewise oriented toward providing incentives for firms to increase their productivity and their capacity to generate jobs.

This emphasis on creating incentives for small businesses and reducing barriers to growth pushed street vending as such off the national political agenda. Moreover, the chaos created by the economic and political crises of 1989-1990, along with increasingly urgent public policy problems created by the expanding hordes of street vendors in the capital city's Historic Center, had reduced the public's tolerance for disorder. Without a political left to push the 1980s approach to street vending, officials and the general public turned to the neoliberal formula of creating proper incentive structures to get vendors off the streets. At the same time, officials became much less hesitant to violate the terms of Ordinance 002 by using force to clean up public space. By 1993, ILD's legalist view of street vending had replaced the structural view that had helped generate favorable policies for vendors in the 1980s. Rather than viewing street vending as a problem in its own right, the new approach instead viewed it as the first stage in a broader process of microenterprise development.

Neoliberal Tax Reform and the Undermining of Ordinance 002

The Fujimori administration closed down Congress in 1992 and engineered the passage of a new constitution in 1993. The extremity of these measures was emblematic of the administration's commitment to re-establishing order in the country

after several disastrously chaotic years in the late 1980s and early 1990s. Fujimori thus made order and security a central component of his political agenda, even if authoritarian measures were used to achieve them. This emphasis on order was accompanied by a further commitment to market-oriented economic reforms that would reduce barriers to free commerce, both within the country and between Peru and its trade partners. Public order and market-oriented incentives for growth became the twin pillars of Fujimori's reign thereafter.

This national-level commitment to market-oriented reforms had an important effect on the policy framework that had developed to govern street commerce. One centerpiece of the administration's agenda was a new Law of Municipal Taxation, passed in 1993. The new tax law created a new dispute that stemmed from contradictions with the 1984 Law of Municipalities and Ordinance 002 of 1985. These contradictions ultimately made the central components of Ordinance 002 legally unenforceable.

The 1984 Law of Municipalities authorized local governments to administer five different kinds of tributes¹⁸: taxes (*impuestos*), tolls (*contribuciones*), user fees (*arbitrios*), licenses (*licencias*), and entitlements (*derechos*) (see Table 3.4). The first three – taxes (established by national law to finance municipal budgets), tolls (on benefits derived from public works projects, such as roads, bridges, and ferry crossings), and user fees (for public services such as street lighting, trash pickup, and park maintenance) – were fairly clearly inapplicable to street traders in their capacity

¹⁸ I use the term 'tribute' here as an umbrella term to refer to various kinds of monetary contributions from citizens to municipal governments, of which 'taxes' are one kind.

as workers. That is, while they may be subject to paying taxes, tolls and user fees as members of the general public, they could not be charged with paying them on the basis of their work as street vendors.

Table 3.4. Municipal Tax Definitions

Law of Municipalities	Applicable to Vendors	Purpose
Taxes (<i>impuestos</i>), tolls (<i>contribuciones</i>), user fees (<i>arbitrios</i>)	No	Contributors are taxpayers at large or users of municipal services or infrastructure
Licenses (<i>licencias</i>)	Yes	Fees paid in exchange for specific authorizations, e.g. use of public space
Entitlements (<i>derechos</i>)	Unclear	Fees paid in exchange for specific administrative services
Law of Municipal Taxation		
Property, real estate, automobiles, events, gaming, and non-sports-related public events	No	Contributors are property owners or participants in specific activities
Valuations (<i>tasas</i>)	Unclear	Fees paid in exchange for specific administrative services

The fourth kind of tribute, a fee paid in exchange for a license, was charged for obtaining authorization for specific activities that should be regulated and controlled, for reasons of public interest. The law clearly stated that municipalities could charge licensing fees in exchange for the occupation of public space. It also stated that the administration of licenses for the use of public space in municipalities was subject to

regulations established by the Metropolitan Municipality of Lima. Thus, municipal governments should be able to charge street vendors for a license to use public space, as long as they do so in conformity with metropolitan-level ordinances, such as Ordinance 002.

The fifth kind of tax, labeled here ‘entitlements’ (*derechos*), could be charged “in exchange for an administrative service that the Municipality provides for the use or exploitation of public or municipal goods.” The law further stated that the amount to be charged for entitlements should take into account the cost of the service provided. Street traders clearly use public space, and if public space is to be considered a public good, then municipalities could in theory charge vendors for this use. At the same time, the intent of the law was fairly unambiguously to generate the funds necessary to cover the administrative costs of allowing citizens to use a public good. Therefore, if a municipal government were to provide a service associated with the use of public space for street vending – for example, providing infrastructure for street markets, or helping administer the vendors’ social assistance fund – then the law would seem to permit charging street traders for this entitlement. By contrast, if the municipality did not administer any services associated with the use of public space, then charging the entitlement fee would be inappropriate.

Indeed, Metropolitan Ordinance 002 a year later explicitly labeled the *sisa* an entitlement fee, implying that it was to be charged in exchange for some service. The ordinance further stated that 50% of the revenue generated through the collection of the *sisa* was to be used to fund programs developed through the FOMA, the social

assistance fund earmarked specifically for street vendors.¹⁹ It did not state explicitly whether the other 50% of *sisa* revenues was to be deposited in the municipal treasury, or whether it too should be used for services related to street vending. Nonetheless, it is clear from the ordinance that municipalities were required to use at least half of *sisa* revenues to fund the FOMA.

The Law of Municipal Taxation (Legislative Decree 776), passed in December 1993,²⁰ dramatically changed the regime governing municipal taxation. This decree, which went into effect on January 1, 1994, redefined municipal governments' ability to levy taxes and nullified the articles of the Law of Municipalities that established the five kinds of taxes described above. In their place, Legislative Decree 776 authorized six distinct types of taxes, none of which seemed to have any direct applicability to street trading.²¹ However, the law separately authorized the use of tolls and what it called *tasas*, or valuations, as fees charged by municipalities to fund public and administrative services.

According to the law, municipalities may charge *tasas* for the private use of municipal property; operating licenses for industrial, commercial, or service establishments; parking; and "other licenses" for anyone who engages in an activity subject to municipal control or oversight, as defined in the Law of Municipalities. The decree further states that *tasas* charged for the use of municipal property should not

¹⁹ In fact, the ordinance states that the FOMA should be funded with the revenue from the entitlements outlined in a previous article – that is, from both the *sisa* and the municipal license. In practice, however, municipal governments that have implemented the FOMA have generally funded it with 50% of the *sisa* funds only.

²⁰ Decreto Legislativo 776, Ley de Tributación Municipal (published in *El Peruano*, December 31, 1993, pp. 119929-119934).

²¹ These were taxes on property, real estate transactions, automobiles, events, gaming, and non-sports-related public events.

exceed the cost of administering the service that allows citizens to use that property, and that income generated through a *tasa* should be used exclusively to cover those administrative costs.²² Finally, the law states that operating licenses must remain valid for a period of at least one year, and that license renewals should be automatic as long as (a) the zoning ordinances that allow for the operation do not change, and (b) the person requesting the operating license submits proof that they paid income tax.

Having eliminated municipal governments' ability to levy entitlement fees such as the *sisa*, the Law of Municipal Taxation seemed to grant them the ability to establish a fee that would serve the same purpose as the *sisa* through the establishment of *tasas*. However, the law also contained several mechanisms designed to eliminate barriers to free trade within the country, part of the Fujimori administration's broader market-oriented reform strategy. For example, Article 61 stated that municipalities would be prohibited from charging *tasas* for the use of streets, bridges and other infrastructure, and that they could not levy fees that would "impede free access to markets and free commercialization within national territory." This article therefore created an important ambiguity with regard to street vendors. On the one hand, municipal governments seemed to have the authority to charge fees for annual operating licenses, which could be applicable to street vendors. On the other hand, the law seemed to imply that municipal governments did not have the authority to convert the *sisa* from an entitlement fee to a *tasa*, since they would be doing so specifically in exchange for the use of streets, which the measure prohibited.

²² Title III, Chapter II, Articles 68, 69 and 70.

The Shift to Partial Enforcement. Without the authorization to charge the *sisá*, it became unclear whether municipal governments were still obligated to enforce the parts of Ordinance 002 that relied on the income the *sisá* was supposed to generate, most importantly the FOMA. At the same time, many municipal governments continued to charge vendors the *sisá* even after the Law of Municipal Taxation revoked their authority to do so. The *sisá* thus became a central source of conflict between vendors and municipal governments. Some vendors argued that they should not have to pay it if the municipality failed to deliver any services in return (per the Law of Municipal Taxation), and municipal governments argued that vendors should have to pay it regardless for their use of public space. Thus, each side could cite a certain part of the body of policy that had developed to govern street commerce to justify contradictory actions, and conflict between the two sides could persist indefinitely.

The lack of policy clarity over the *sisá* also created conflicts between leaders of vending organizations who disagreed over strategy. Some leaders argued that paying the *sisá*, even after the Law of Municipal Taxation eliminated it, was in their interest because it guaranteed their right to occupy public space each day they paid it. Other leaders argued that they should not pay the *sisá* unless municipalities created the FOMA. Likewise, municipal officials disagreed over whether to charge it. Charging the fee brought in a substantial amount of revenue, but at the same time it implied that vendors could not be expelled, limiting municipalities' ability to keep the streets clear.

In principle, the country's legal system should provide some mechanisms for resolving struggles over ambiguous policy elements like the *sisá*. Indeed, in

November 1992 the Fujimori administration created the National Institute for the Defense of Competition and Protection of Intellectual Property, or INDECOPI, to help adjudicate disputes over commerce-related policies. The institution was designed to “promote a culture of fair and honest competition in the Peruvian economy and to protect the different forms of intellectual property,”²³ and one of its responsibilities was to rule on charges brought against state actors for interfering with free competition.

In 1994 an enterprising group of street vendors attempted to resolve the *sis*a issue through INDECOPI. The United Front of Informal Workers of the District of Pueblo Libre (FEDITAPUL) presented to INDECOPI on August 23, 1994 a denunciation against the City Council of Pueblo Libre²⁴ for violating Legislative Decree 776.²⁵ The authors of the denunciation argued that charging the *sis*a and establishing a costly fee for a health certificate violated the principles of free and open competition, as established in the Law of Municipal Taxation. INDECOPI, which had not previously ruled on either issue, accepted the case.

The resolution issued by INDECOPI the next year seemed to deliver a victory of sorts to street vendors by declaring the *sis*a illegal.²⁶ The resolution stated that the collection of the *sis*a in the district in question took place without any sort of service delivery on the part of the municipality, which violated the Law of Municipal Taxation’s definition of *tasas*. INDECOPI further ruled that restrictions on the

²³ Decreto Ley 25868, Ley de Organización y Funciones del Instituto Nacional de Defensa de la Competencia y de la Protección de la Propiedad Intelectual, published in *El Peruano* November 24, 1992.

²⁴ Pueblo Libre is a small municipal district in central Lima.

²⁵ The information presented here is based on INDECOPI Case File No. 121-94/CLC.

²⁶ INDECOPI Resolution No. 027-95 was passed on July 26, 1995.

freedom to market products outlined in the Law of Municipal Taxation could apply to either formal and informal commerce, and that creating bureaucratic restrictions and charging people to exercise rights (in this case, the constitutional right to work) constituted clear violations of that provision. Although the Law of Municipalities does give municipal governments the power to regulate areas in which street commerce exists, INDECOPI argued, “at no point does it signal that this power includes the right to levy charges of any kind.” Finally, though the same Law of Municipalities grants municipal governments the authority to impose *tasas* in certain cases, in no case can they create such charges without the express legal authorization to do so.

In theory, the INDECOPI resolution should have brought to an end the practice of charging the *sisa* for the right to use public space. In practice, it did not. Although INDECOPI’s rulings are distributed to the relevant national-level institutions for enforcement, the municipal practice of charging street vendors the daily *sisa* persists in many municipal jurisdictions in Lima. Because street vendors have a partial incentive to pay it in order to protect their space in the street, not all organizations in all districts oppose the tax, even though it has been deemed illegal.

Metropolitan Politics and the New Model: Relocation and the Establishment of Order in the Historic Center

By adopting a political strategy that emphasized public order and an economic strategy that emphasized free-market incentives, Fujimori provided the backdrop for a new model of street governance that was subsequently adopted at the metropolitan and

local levels. The new model, first implemented by Lima Mayor Alberto Andrade in early 1996, combined the objective of complete “eradication” of street vendors from crowded areas with incentives for them to relocate to off-street locations and transform themselves into PYMES. That new model was relatively successful at the metropolitan levels, but municipal governments that tried to reproduce it often failed because of their relatively small budgets and weak enforcement capacity.

Just after taking office in 1996, Alberto Andrade, Lima’s mayor from 1996 to 2002, enacted the most sweeping clean-up campaign to restore order to the city’s Historic Center since 1970 just after taking office in January 1996. Andrade’s reign as mayor was not only significant because of the cleanup campaign. He also became the most visible figure of the political party *Somos Perú* (We Are Peru, formerly *Somos Lima*), which placed several candidates in district mayoralties in the late 1990s. Several *Somos Perú* mayors attempted to replicate Andrade’s actions, replacing Ordinance 002 with a policy of expelling or relocating vendors from public space. The party also introduced the term “eradication” into political discourse as a reference to the goal of cleaning up the problems associated with street vending by removing street vendors once and for all from certain areas. At the same time, Andrade became one of Fujimori’s principal political rivals. As Chapter Six will show, the Andrade-Fujimori rivalry also played an important role in street politics at the local level.

Andrade had made the recuperation of the Historic Center an explicit component of his 1995 electoral campaign for mayor of Metropolitan Lima.²⁷ He was rewarded with a narrow victory over the Fujimori-affiliated candidate, winning just

²⁷ Chávez and de la Flor (1998): 163.

over 52% of the vote. The Andrade team went to work on the recuperation program shortly after taking office in January 1996. The team developed a program based on three goals: to rid the Historic Center of the vast majority of street vendors; to relocate some of those vendors to decentralized commercial centers in other areas of the city; and to formalize those who had been relocated. Under the first goal, vendors of goods and services that “reinforced the cultural and tourist character” of the Historic Center — including books, newspapers, stamps, coins, and religious articles — were permitted to stay, but only under a series of new regulations that imposed order on their activities. Under this program, which was administered by the municipality’s tourism office (Red Turística), 1,387 street vendors were authorized to stay.²⁸

For the remainder of vendors, beginning in March 1996 the administration undertook a sweeping series of vendor relocations for which the Andrade administration is well known.²⁹ Officials carried out a total of 20 operations between 1996 and 1999. The number of personnel involved in each operation varied, depending on the zone and the number of vendors involved, from 90 to 1,200.³⁰ City officials began by attempting to negotiate with the leaders of each vendor organization, offering to help some secure commercial space in off-street private lots. When vendors resisted the relocation plans and negotiations failed,³¹ city officials

²⁸ Personal interview, 12 December 2001.

²⁹ The Department of Commercialization and Consumer Defense (Dirección de Comercialización y Defensa al Consumidor, DCDC) is the principal entity responsible for executing municipal policy toward street vendors.

³⁰ Municipality of Lima 2000.

³¹ From the Municipality’s point of view, most leaders of the 236 vendor associations “had as their principal mission to interact with the authorities in such a way as to avoid any intention of relocating” (Municipality of Lima 2000).

relied on force to empty the downtown streets.³² Eventually, Andrade's team was able to move most fixed-post vendors out of the Historic Center, which caused his popularity in the public opinion polls to soar.

At the same time, the expulsion of vendors from the Historic Center displaced the same problem to other parts of the city that were not under Andrade's jurisdiction, where municipal governments were forced to shoulder the burden of additional vendors without sufficient resources to help them formalize. Many *Somos Perú* mayors tried to replicate Andrade's actions in their own jurisdictions, but without sufficient resources to do so, few achieved the sort of success that had sent Andrade's popularity soaring.

Moreover, because of Andrade's success cleaning up the downtown area, he became a political threat to Fujimori. The rivalry between the two politicians had an important effect on district mayors' efforts to deal with street vending. Municipal governments have relatively small budgets in Peru, and many of them lack the means and capacity to deal effectively with problems associated with street commerce effectively. In particular, municipal governments have small security forces that are insufficient for carrying out large-scale expulsions such as the one carried out by the Andrade administration in downtown Lima. Instead, they must rely on the support of the Peruvian National Police (PNP), which is under the direction of the executive branch. For a mayor to enlist the support of the PNP, he must therefore curry the favor of the administration in power. Mayors affiliated with *Somos Perú* faced

³² Personal interview, December 19, 2001.

substantial challenges in doing so during the late 1990s because of Fujimori's rivalry with Andrade.

The Consequences of Policy Incoherence

The accumulation of these national and metropolitan-level ideological, political and policy trends has created a relatively hostile environment for street vending in the late 1990s and early 2000s. Ideologically, the treatment of street vendors as innocent victims of structural economic malaise is no longer an accepted approach in Peru. The political left remains discredited and electorally dormant, and street vendors are without major political allies to articulate a tolerant philosophy toward governing street commerce. The political and economic chaos of the early 1990s remains fresh enough in the public mind that voters tend to support candidates who promise to impose order in congested, chaotic parts of the city. Perhaps most importantly, street commerce as such has been pushed off the national political agenda in favor of an emphasis on microenterprise development. As a consequence, street vendors are viewed as nascent entrepreneurs who need only respond to the proper incentive structures in order to get off the streets. The public policy problems specific to vending in public space are therefore no longer given their own consideration at the national level.

Politically, the broad partisan support that street vendors enjoyed from IU during the 1980s has disappeared, and vendors are left to negotiate access to individual politicians at the local level. Moreover, the electoral success of *Somos Perú* candidates who have ridden Andrade's coattails on platforms of establishing public

order in the streets has posed a significant challenge for vending organizations. Even when Somos Perú mayors have sought to negotiate with vendors before enacting large-scale expulsions, the possibility of implementing Ordinance 002 in its entirety is no longer on the table. The policy contradictions growing out of ideological and political shifts over the past two decades thus make sectoral governance an increasingly distant possibility.

Furthermore, the policy definitions presented in Table 3.3 use inconsistent labels to refer to essentially the same group of people: individuals who, in one way or another, sell things on a small scale. Moreover, the definitions attached to those labels are overlapping, contradictory, and in some cases exclude the very types of workers whom the policy is meant to affect. This definitional ambiguity has two important consequences.

First, municipal governments lack a clear administrative framework within which to develop a feasible local-level approach to governing street commerce. The definitional categories established by the body of policy developed at higher levels of government do not adequately capture the full range of condition of workers on the ground. Most significantly, policy definitions do not distinguish between those who work in public space and those who work in private space. Thus, municipal governments are left to interpret higher-level policy and selectively apply certain provisions that serve their particular needs. This incentive for the selective enforcement of individual policy components is exacerbated by local governments' inadequate budgets and low administrative capacity. Without the resources to devote

to a detailed economic census or well-trained bureaucrats with expertise in the field, local governments tend to fall short of adequately enforcing their own policies.

For example, in order for a municipal government to sort ‘street vendors’ and ‘non-street vendors’ according to Ordinance 002, it would have to (a) determine which vendors have less than 2 UIT of capital; (b) authorize certain areas for street commerce; (c) determine which street vendors are not employees of their suppliers; and (d) define a threshold for a ‘small’ scale business, and then determine which vendors counted as ‘small.’ But each would require accurate information gathering on the part of the local government. The first task would require a faithful report of accounts on the part of each vendor in the district; the second task would require an adequate technical study of problem areas in the district; the third task would require either a faithful report of labor relations, or documentation of the source of vendors’ merchandise; and the fourth task would require an accurate assessment of each vendors’ scale of operations. Without adequate resources and expertise to make these determinations, the full and faithful enforcement of policy remains a distant possibility.

Second, it is difficult for street vendors themselves to interpret the policies meant to govern them. Municipal governments that must experiment with different ways of implementing higher-level ordinances and laws tend to issue new ordinances quite frequently. As a result, it is difficult for street vendors to simply keep up with the steady flow of new policies. Many regulations issued at the local level are not published in the country’s official newspaper, *El Peruano*. Those that are published in *El Peruano* sometimes are not published until up to a year after they are passed.

Moreover, very few street vendors purchase and read the country's official gazette to check for new regulations; rather, they are dependent on leaders of vending organizations to present and explain the content of new policies. These difficulties are exacerbated when new policies are issued as often as once a month. It is not surprising, then, that many street vendors do not adapt their behavior to the frequently changing rules of the game.

Finally, laws issued as part of Fujimori's market-oriented reform efforts have created a set of irresolvable contradictions that make Ordinance 002 impossible to enforce. The ordinance relied on the *sisa* and licenses to connect the rights and responsibilities of street vendors to those of local governments. However, the 1993 Law of Municipal Taxation eliminated the *sisa* as a legal tax to charge street vendors for their use of public space, and the 1991 Law of Microenterprises eliminated municipal governments' right to require licenses for operating businesses within their jurisdiction. Without these two mechanisms, the remaining components of Ordinance 002 could not be effectively enforced.

In the face of these contradictions, local governments selectively enforce those parts of national and metropolitan-level policy that they find both feasible and politically palatable. Moreover, policy at the local level tends to oscillate dramatically. These two patterns in local governments feed into the difficult cycle of non-enforcement and non-compliance that make conflict between vendors and governments pervasive. With overwhelming incentives for each side to cheat, neither trusts the other to faithfully hold up its end of the bargain at a sectoral level.

Chapter Four. The Formation of Local Political Arenas

The previous chapter argued that ideological, political, and policy currents at the national and metropolitan levels have a profound influence on the dynamics that play themselves out at the local level between street vendors and municipal governments. This chapter turns to local-level factors that shape interaction between the two sides.

Specifically, the chapter argues that high-stakes commercial areas attract stronger opponents of street vendors, who in turn place intense pressure on local governments to only partially implement formalization measures. These high stakes and intense rivalries between vendors and their opponents exacerbate existing conflicts in two ways. First, they lead to an extreme degree of policy oscillation. Municipal governments under pressure to solve the problems associated with street commerce experiment endlessly with new ways of implementing formalization measures, and that instability in local-level policy feeds into a cycle of conflict that makes it difficult for vendors to develop long-term organizational strategies. Second, the bitter rivalries and cycle of instability make street vendors less associative, less politically engaged, and more cynical about politicians than vendors in low-stakes areas.

High Stakes in the Garment District: Caquetá vs. Gamarra

Within the urban landscape of metropolitan Lima, Caquetá and Gamarra are relatively similar areas. Both are strategically located near central-city distribution points for wholesale and retail goods, and therefore attract high volumes of

commercial traffic. Both are located near the Central Highway and other key vehicular thoroughfares, contributing to the congestion that characterizes each zone. Both sites are part of very large, very poor districts; each has a population of more than 220,000 residents, of which more than 70% fall into the poorest socioeconomic categories. Finally, both are near housing settlements that attracted waves of rural-to-urban migrants in previous decades. The nearby settlements offer a steady surplus labor force and a vast customer base for each area. As a result of these circumstances, the streets of both areas are packed with fixed-post vendors trying to capitalize on the areas' strategic locations.

The primary difference between the two sites lies in the timing and nature of their formation. Caquetá began to develop as a commercial center in the 1950s, and thereafter became a central distribution point for fresh fruits and vegetables that were trucked in daily from the Peruvian countryside. The area is located near the intersection of the east-west Central Highway that leads up into the Andes, and the north-south Panamerican Highway that connects Lima to other coastal cities. Its location thus makes it a convenient distribution point for fresh produce grown in the coastal areas, such as sugar, grapes, and other warm-climate commodities, and for fresh produce grown in the highlands. However, the fact that Caquetá primarily grew around the trade of fresh produce has limited its capacity to generate linkages to other income-generating activities. The financial and commercial stakes in Caquetá are consequently low in comparison to the garment district.

The formation and development of Gamarra as the country's premier textile center, by contrast, produced a particular configuration of powerful investors and well

organized street vendors in the zone that have contributed to its uniquely contentious political milieu. Gamarra first began to attract small-scale producers of garments in the 1970s, and favorable circumstances led to a boom in small-scale textile production toward the end of that decade and into the 1980s. According to Ponce (1994: 92), policies that protected the domestic market under the Velasco regime helped stimulate production in the textile sector, but interventionist tax and labor laws discouraged production on a large scale. This particular combination of incentives led to a proliferation of relatively successful small-scale production and retail units in the area.

These small units most likely proliferated in Gamarra rather than elsewhere in the city because of that district's industrial history and location. The district of La Victoria, where Gamarra is located, housed several large textile companies in earlier decades that had collapsed by the end of the 1970s. The district was already known for textile production, and workers who had lost their jobs in the larger firms had some expertise in the sector that could help them create their own small-scale enterprises. In addition, Gamarra is located near the city's largest wholesale and retail markets, as well as a number of squatter settlements that had begun to populate the hills in the neighboring district of El Agustino. The existence of the markets attracted entrepreneurs looking for new opportunities, and the squatter settlements facilitated horizontal collaboration among friends, neighbors, and family members who wished to enter the sector. This pattern of horizontal collaboration increases ease-of-entry for newcomers and encourages the acquisition of useful skills in design, machinery, and marketing, all of which further facilitates the steady creation of additional small-scale units.

In the context of these propitious circumstances, a few small-scale vendors and manufacturers in Gamarra managed to accumulate enough capital to invest in larger commercial enterprises. A decision on the part of the metropolitan government in the 1970s to change the zoning designation of Gamarra from residential to commercial enabled these pioneers to invest in the first large-scale commercial ‘galleries’ on Jirón Gamarra once they had accumulated enough capital. These galleries were typically made up of about six or eight stories, with the first two or three floors dedicated to small retail stands and the upper floors divided into small production shops (see Chion 2000). The production shops typically housed only a few sewing machines and employed the members of a family or extended family. These production units could then sell their finished goods to the retail outlets on the gallery’s lower floors.

The commercial success of Gamarra’s first galleries – among them, those owned by Gamarra icons Pedro and Nemesio Guizado and Vicente Díaz Arce – encouraged the construction of more, radiating outward from the locus of activity at the intersection of Jirón Gamarra and Jirón Unanue. The shops and stands inside the galleries were rented or sold to the thousands of small-scale entrepreneurs looking for a stable space from which to sell their merchandise. As the potential for economic success in Gamarra became more evident, the area attracted banks, individual investors, and real estate magnates who duplicated the initial pattern. The resulting economic dynamism of Gamarra is nothing short of remarkable: in an economy otherwise plagued by recurring crisis, uncertainty, and stagnation, Gamarra developed into an incredibly successful economic zone, motored primarily by small enterprises.

The stakes created by this commercial success had become enormous by the mid- to late-1990s. Estimates suggest that by 1999 Gamarra generated about \$800 million per year in economic activity and provided employment for at least 100,000 people.¹ The real estate within Gamarra, especially on Jirón Gamarra itself, is among the most valuable in the country: even in the context of a recession, the cost of a typical stand or post (usually a space of about two square meters) in one of the commercial galleries with street access in 1999 was about \$8,000 per square meter; a stand in the interior of a building (away from the entrance) was about \$4,000 per square meter.² According to a 2001 report, Gamarra has grown to include more than 8,000 commercial establishments scattered throughout 100 commercial galleries.³ Another estimate places the total number of establishments at 17,000.⁴ The rise in real estate value and the corresponding cost of renting spaces inside the new galleries as Gamarra grew priced many entrepreneurs out of the market, resulting in a new influx of street vendors in the area in the early 1990s.

While the early pioneers of the area had translated their initial success as street vendors into lucrative investments in multi-million dollar commercial galleries, thousands of other vendors remained on the streets. Vendors who initially set up stands before the boom years enjoyed some success, as the production units

¹ Sulmont 1999: 26. As Sulmont notes, the reliability of statistics on Gamarra are questionable; however, by any measure its importance to the textile sector and to the national economy would be difficult to overestimate.

² Sulmont 1999: 31, fn. 23.

³ Juan Infante and Antonio Cueto, "Plan INDECOPI – Gamarra," cited in the Organización Internacional del Trabajo and SwissContact, "La Calidad del Trabajo en la Micro y Pequeña Empresa en el Perú" (Lima: OIT, 2001): 72.

⁴ SASE Unidad Técnica, "Tercer Diálogo sobre experiencias y retos en la lucha contra la pobreza: Estrategias para crear oportunidades de empleo" (Lima: SASE, 2001).

proliferated and their owners sought multiple retail outlets for their goods. However, by the early- to mid-1990s, Gamarra had become inundated with street vendors. According to one report, roughly 20,000 vendors had populated the streets in and around the garment district by the mid-1990s (Almanza San Miguel 2004: 3). This inundation of vendors threatened the viability of the galleries, as the vendors blocked the entrances, slowed pedestrian traffic, and strangled transportation to and from the area.

As a result, despite Gamarra's status as the country's premier commercial success, the streets surrounding the major commercial galleries in the area tell another story. Outside the iron bars that demarcate the 24 square blocks of Gamarra proper, thousands of vendors with carts, fixed stands, and sheets of tarp spill out from the sidewalks into the streets, creating favorable conditions for pickpockets and petty thieves. Traffic remains in perpetual gridlock in every street approaching the garment district, and mounds of trash are strewn across the medians and sidewalks outside the iron bars. While the low prices and abundant merchandise in the zone draw customers from all parts of the city, arriving and departing the district requires navigation of some of Lima's most lawless streets.

Allies and Enemies: Actors, Goals, Resources, and Strategies

The primary actors in Gamarra consist of the vendors who fill the zone's streets; the local officials who try to govern them; and two intervening groups: the owners and employees of small and microenterprises housed in the commercial galleries, and a small group of "power brokers" that includes real estate proprietors,

promoters of the district's commercial galleries, larger producers, and the principal wholesale merchants of machinery and other inputs.⁵ The following discussion describes the primary goals, resources, and strategies of these four groups, and explains why this particular configuration of vending allies and enemies makes the zone relatively combative.

Group One: Street Vendors. Street vendors in Gamarra are diverse in terms of their socioeconomic status and their interdependence with the small production and retail units housed inside the commercial galleries. At one end of the spectrum are those who vend just enough to produce a subsistence income for their households. These vendors sell low-value items, such as plastic shopping bags or clothing scraps, and may make between two and five dollars a day. At the other end of the spectrum are entrepreneurs who spend part of the day vending in the streets, but who also may own or rent one or more shops inside the galleries, or who may work for someone else who owns a shop in the galleries. In the mid-1990s, some vendors even sold fabric and clothing wholesale from street vending posts on Jirón Gamarra, moving large quantities of merchandise and accruing significant profits from their sales. In between these two extremes are vendors who sell clothing, food, school supplies, and other medium-value goods for moderate profits.

The number of street vendors in and around Gamarra probably peaked between 1994 and 1998, when estimates placed the number around 20,000. The majority of these vendors have traditionally belonged to base associations, of which there were

⁵ Sulmont (1999) describes six categories of actors in Gamarra. His analysis separates out small and medium manufacturers, small and medium merchants, and workers in those small and medium enterprises, which I have grouped together here.

about 76 in 1996.⁶ A 2004 study reported that there were about 80 base associations remaining in the district,⁷ suggesting that the number of associations has remained steady over time despite other elements of instability in the zone.

From the mid-1980s to the end of the 1990s, most base associations were affiliated with one of four sub-district federations.⁸ Three of them formed in the 1980s: FEDITAV (1980), CUTASPA (1985), and FEBAINVIC (1987). The fourth, Tupac Amaru II, formed in 1996. Another federation, called the Coordinadora (CCAACG), split off from Tupac Amaru II in 1997. The primary goal of these federations, and of the vendors themselves, is simply to defend their occupation of public space. The intensity with which they engage in such a defense is partly a function of how lucrative their space is, in terms of access to Gamarra's clientele.

Street vendors in Gamarra have two important resources they can use as leverage in the local political arena: their disruptive capacity, and the tax revenue they can generate as a result of their occupation of public space. Up until 1999, the federations were extremely active in marshalling the disruptive capacity of the vendors through coordinated marches, protests, legal activities, and through their coordinated occupation of public space. For most of the 1990s, vendors also provided an incentive for municipal administrations to tolerate their presence in the street because of the significant income their taxes could generate for the municipal treasury. Notably, electoral resources – most importantly, votes – were not as significant a resource for the vendors as one might suspect. As Table 4.1 shows, only about a third of vendors

⁶ This estimate of the number of base associations in the district comes from a report conducted by the district's Mixed Technical Commission, or CTMCA, in 1996.

⁷ Almanza San Miguel 2004: 2.

⁸ The 1996 CTMCA report stated that 13 of the 76 associations remained independent.

in Gamarra actually live in the district of La Victoria, meaning that they cannot effectively punish hostile administrations through the mechanism of local elections.

Table 4.1. Street vendors by district of residence (%)

	Gamarra	Caquetá
Residence in La Victoria	33.6	0.0
Residence in San Martín de Porres	0.0	41.5

Source: 2003 Microbusiness Survey.

Street vendors employ a wide range of strategies in the local political arena (see Table 4.2). The most visible strategy, and the one most connected to their disruptive capacity, is simply for hundreds or thousands of them to occupy public space, either in the form of constructing vending posts or in the form of a coordinated march or protest. Vendors' occupation of strategic areas in large numbers can only be countered through force, and as the discussion below will show, municipal governments sometimes face difficulty in marshaling enough force to get rid of them. A second strategy, used alternatively with mobilization, is negotiation with the authorities.

Street vendors also use the media and the legal system to achieve their goals. The vending federations issue public statements, hold press conferences, grant interviews, and circulate their own newsletters to diffuse their message to one another and to other relevant actors. In the legal system, vending federations can file an *acción de amparo* to prevent the municipality from following through on an

expulsion. An *acción de amparo*⁹ is a type of injunction or legal remedy filed by a person or group requesting that a court use an accelerated process to ensure the effective exercise of constitutional guarantees against arbitrariness and manifest illegality by a public authority. The federations use this strategy to claim that any policy measure that orders them off the streets violates their constitutional right to work. Once the *acción de amparo* is filed, the vendors then claim that legally they cannot be removed from the street until the court issues a ruling on the case.

Group Two: Owners and workers in small and microenterprises (PYMES).

Owners of small and microenterprise units that produce and sell clothing, along with the people who work for them, form the second principal actor in Gamarra. Like street vendors, these entrepreneurs are quite diverse in terms of the income they generate. Among retailers, those with spaces on the first floor of the galleries near the front doors will typically have higher incomes than those with spaces in the back of the gallery or on higher floors. The commercial galleries in Gamarra generally do not have elevators, so retailers on higher floors attract fewer customers. Beyond the third or fourth floor, the upper floors of the galleries are dedicated to production workshops, which also can vary substantially in size and success.

⁹ See Alcaraz Varo, Enrique and Brian Hughes, *Diccionario de Términos Jurídicos* (Barcelona, Spain: Ariel, p. 445). An *acción de amparo* is also called a *recurso de amparo*. The term *recurso de amparo* can mean either the same thing as an *acción de amparo*, or an appeal of an *acción de amparo* to a higher court.

Table 4.2. Actors, Goals, Resources, and Strategies

	Goals	Resources	Strategies
Street vendors	Retain territory on streets Maximize income	Organizational power, disruptive capacity Tax revenue to local government (through <i>sisá</i>) Purchases from small production units	Demonstrations and protests Media and publicity campaigns Legal actions Petitions to national level bureaucrats, politicians
Small and microenterprise units	Maximize access to clients Maximize income	Moderate economic power Rental income to property owners Tax revenue to local government	Low-level pressure on government officials through associations Media and publicity campaigns Demonstrations
Property owners	Upgrade urban infrastructure in and around Gamarra Limit number of street vendors in the area Maximize income through rent payments in galleries	Economic power Access to policy makers via personal, family, social connections	Political pressure on local government officials through direct contacts Media and publicity campaigns Demonstrations
Municipal government	Maximize votes Maximize income Maintain public order Upgrade urban infrastructure and attract investment	Revenue from fees and taxes Prestige of association with Gamarra	Attract resources from external actors (NGOs, metropolitan government, central government) Policy improvisation

Estimates of the number of owners and employees of production and retail

PMYES in Gamarra's galleries range anywhere from 14,000 to 50,000. These units

have relations of interdependence with both street vendors and the real estate brokers who own the galleries. Production PYMES, for example, often sell their merchandise to street vendors, who in turn sell it on the streets. Because street vendors form an important part of the PYMES' clientele, owners of PYMES have a certain interest in keeping the vendors in business. Some PYME units also directly employ street vendors, or task family members with hawking their merchandise out on the streets. In turn, the PYMES are dependent on the gallery owners to offer them retail or production space at affordable prices.

Small and microenterprise owners have formed several associations in Gamarra, although membership rates are much lower among small and microenterprise owners than street vendors. The main associations are the Association of Small Industrial Producers (Asociación de Pequeños Industriales de la Confección, or APIC), and the Association of Small Entrepreneurs of Gamarra (Asociación de Pequeños Empresarios de Gamarra, or APEGA). APIC is the older and larger of the two; the organization was founded in 1979 and claims to have about 1.2 million associates nationally, of which roughly 600 are in Lima and 120 in Gamarra.¹⁰ APEGA was founded in 1990 and groups together about 4,000 microentrepreneurs in Gamarra.¹¹ Though APIC has national scope, it remains an important player in Gamarra, where its office is located. Other associations of microentrepreneurs include the Corporation of Property Owners and Entrepreneurs of Gamarra (referred to as the

¹⁰ Personal interview, 20 May 2002.

¹¹ Personal interview, 17 May 2002.

Corporación), which was founded in 2000 and claims a membership of 1,500¹²; and the Federation of Entrepreneurs of Gamarra, or FEDEGA, which was founded in 2001 and claims a membership of 1,200.¹³

The primary goal of the small and microentrepreneurs is to maximize their access to clients, and in doing so maximize their profits. To some degree, the broad goal of attracting more clients to Gamarra is shared by all four groups; with more clients, street vendors and PYMES would increase their sales, power brokers' investments would bring higher returns, and the municipal government would generate more tax income and political prestige. At the same time, PYME associations are hesitant to get involved in the political battles that street vendors fight with the power brokers and the municipality. Their leaders insist that they are purely business-oriented, and that they do not engage in politics. This hesitance to take sides is likely tied to the PYMES' dependence on both street vendors (as their customers) and real estate brokers (as their landlords).

The PYMES have some disruptive capacity, but their most important resource is the fact that the three other groups – street vendors, power brokers, and the municipal government – are also dependent on them. Without the PYMES, the earning potential of the vendors and power brokers would collapse. They are the glue that holds the commercial conglomerate together. As such, the other actors have an interest in keeping them in business. They also contribute tax revenue to the

¹² Personal interview, 23 May 2002.

¹³ Personal interview, 21 May 2002. The latter two organizations have little political credibility and are better understood as efforts on the part of individual entrepreneurs to develop rival federations that claim to “speak for” entrepreneurs in Gamarra than as bona fide federations of microenterprise associations.

municipal government, and their success brings the municipal government substantial prestige. To be the mayor of La Victoria means getting privileged treatment from the central government because of the developmental role Gamarra plays in the Peruvian economy.

The strategies of the PYME associations are for the most part less confrontational than those of the street vendors. APIC, APEGA, and the other groups try to enhance their commercial success by building alliances with NGOs and universities, along with central government programs such as PROMPYME. Those alliances can result in technical assistance, training programs, access to credit, and other forms of microbusiness development assistance. While the PYME associations occasionally engage in media campaigns, mobilizations,¹⁴ and low-level politicking, for the most part they remain focused on business issues and do their best to stay out of local political battles.

Group Three: The power brokers. Gamarra's power brokers include real estate proprietors, promoters of the district's commercial galleries, larger manufacturers, and the principal wholesale merchants of machinery and other inputs.¹⁵ They are a relatively small group of powerful entrepreneurs, many of whom started out themselves as street vendors in the 1970s and rose through the ranks to become the dominant interests in the zone by the 1990s.¹⁶ This power group includes Nemesio and Pedro Guizado, owners of the Galerías Guizado, and Vicente Díaz Arce, one of

¹⁴ See, for example, *Ojo* (26 February 1999) on the PMYES' march on the presidential palace demanding attention to economic stagnation.

¹⁵ See Sulmont 1999: 31.

¹⁶ For an example, see José María Salcedo, *El Jefe: De Ambulante a Magnante* (Lima: FIMART S.A., 1993) on the life of Vicente Díaz Arce.

Gamarra's best known icons. Their most outspoken advocate in the 1990s was Juan Infante, a sociologist from the Catholic University of Peru who began a magazine in the zone, the *Revista Gamarra*, to promote the power group's interests and influence policy.

Real estate proprietors and promoters have grand visions of what Gamarra could become someday: a world-class garment district that would attract middle and upper class clients from all over the region, a sort of fashion mecca that would lead South America in the design trends of the future. The galleries themselves are quite attractive; they offer an incredible range of merchandise at very competitive prices, and producers in the zone pay close attention to the latest fashion trends in North and South America. But the streets surrounding Gamarra hardly fit the property owners' vision of the future. The crime, filth, and congestion of those streets help make La Victoria one of the most dangerous districts in Lima. Consequently, Lima's middle class shoppers can be hesitant to risk the trip to Gamarra for their shopping needs.

The real estate proprietors' most urgent objective is therefore to upgrade the urban infrastructure surrounding the garment district,¹⁷ so that clients can get there safely. They view street vendors as the primary cause of the trash, noise, congestion, crime, and general chaos surrounding their galleries, as well as the source of 'disloyal competition' that can undermine the income of their tenants. This power group therefore uses its substantial resources – both in terms of economic power and in terms of political influence – to pressure the municipal government into dealing with the street vending problem.

¹⁷ Sulmont 1999: 31.

The power brokers' strategies for confronting this problem take advantage of the asymmetrical resources they command. They rely not only on the *Revista Gamarra* as a mouthpiece for the garment district, but they also use high-level political contacts to get what they want. The commercial success of the garment district has converted it into a development model for Lima; to be in a position to "speak for" Gamarra as a whole brings this group considerable leverage in the political arena. Moreover, its primary goal of eliminating the chaotic street markets surrounding the commercial galleries and creating clean, tree-lined, congestion-free streets pits this group in direct opposition to vendors, whose leaders have substantial experience in opposing formalization measures.

Group Four: The Municipal District of La Victoria (MDLV). The fourth key actor in Gamarra is the government of La Victoria. For years this government was widely perceived as one of the most corrupt local governments in the country.¹⁸ The mayor, city council members, and appointed bureaucrats can each play a different role in the administration's relationship with the other three actors; the mayor drives local government policy, while city council members play a secondary role.

The municipal government in La Victoria faces pressure both from the magnitude of the urban development problems in the district, and from certain constituents – most importantly, Gamarra's power brokers and the district's residents. The power brokers can place substantial pressure on the mayor and, indeed, have been instrumental in hand-picking their own candidates for mayor since 1995, though they do not actually reside in the district. The district's historically commercial orientation

¹⁸ Sulmont 1999: 44.

also means that residential associations are weaker and play a less important role than in other communities with more housing settlements. Thus, while the mayor and city council have an interest in courting the votes of La Victoria residents, they feel pressure more directly from the garment district's power brokers.

Municipal governments in Peru have among the weakest financial structures of any local governments in Latin America.¹⁹ As a consequence, the resources they can bring to bear on problems like urban development, crime, and congestion are often outweighed by the magnitude of the problems. The La Victoria government has some advantage in that it can charge local firms for licensing fees and local taxes, but its administrative capacity to do so is relatively low. Thus, efforts to bring resources in from outside – in the form of support from NGOs, central government agencies, national level politicians, and the metropolitan Lima government – form a key strategy for the municipality. Otherwise, the municipal government is left to improvise policy strategies in order to attempt to address the pressures it faces.

Allies, Enemies, and the Conditions for Conflict. Conflict in Gamarra centers around the opposing goals of street vendors in the area and the district's primary power brokers. Street vendors have organized into a large number of base associations; they have substantial disruptive capacity; their leaders are experienced with using the legal system and the media in order to advance their interests; and their primary goal is to defend their space in the streets, no matter what the cost. Many vendors in Gamarra have been vending there for twenty years or more; they are thus unwilling to simply concede their space in the streets and move on to other locales.

¹⁹ Nickson 1995: 237-249.

Many have also made a reasonably comfortable living on those streets, and the district's strategic commercial location remains a major attraction for a vast customer base. Vendors' significant stakes in the district have thus made them into a formidable obstacle to the goals of the power brokers.

The financial stakes of Gamarra's power brokers likewise make them a formidable enemy of street vendors. Owners of the commercial galleries and investors in Gamarra's real estate wield substantial economic power, and their political influence has increased with the garment district's success. By placing intense pressure on district mayors to rid Gamarra's central streets of vendors, these power brokers have demonstrated a willingness to take on their greatest enemy directly, and if necessary, by force.

Meanwhile, owners of PYMES and the municipality of La Victoria are in some sense caught in between these two opponents. PYMES for the most part pursue a strategy of non-interference in the battles between vendors and power brokers, and struggle to retain their political independence in the zone. Yet their leaders can become embroiled in these conflicts because of the economic interdependence that characterizes these small units. The municipal government, meanwhile, is caught between the incessant public pressure to clear up the streets on the part of the power brokers, and the challenge of governing such a large contingent of vendors in a relatively small geographic area. The revenue potential from charging the vendors the *sisa* offers a powerful incentive for the district government to negotiate with vendors rather than simply expelling them altogether, but the power brokers bring national prestige and attention to the district, heightening the political profiles of elected

officials. As a result, officials must attempt to navigate the relationship between these two opponents in a way that best serves their own interests.

The particular configuration of actors in Gamarra's political arena thus influences the ways in which the battle over formalization takes place in that particular part of the city. The main points of contention over formalization, however, are the same in Gamarra as they are in other parts of the city: the issue of taxation and whether vendors should be charged the *sisa*; the issue of authorization and whether vendors should be required to hold licenses; and the issue of participation, and in particular whether and how the municipal government should implement the FOMA and CTMCA. As the following section will argue, the municipality's improvisational approach to these key issues has become another contributor to the persistent conflict in the district.

Policy Oscillation and Particularism: The Roots of Intra-Vendor Divisions

The municipal government of La Victoria has faced two major constraints in developing street vending policy in the past ten years. First, it has inherited problems created by the multiple dimensions of policy incoherence described in the previous chapter. These problems are, of course, common to all district governments in Lima. However, municipal officials in Gamarra are also constrained by the intense pressure generated by the battle between a strong street vending sector and a strong group of power brokers, described above. These constraints have contributed to an extreme degree of policy oscillation at the local level, which in turn has helped perpetuate the conflicts on the streets.

The first indicator of policy instability in La Victoria is the sheer volume of policies issued to deal with street vending matters. In the ten years beginning in 1992, the municipal government passed no fewer than 74 new policies related to street vending (see Table 4.3).²⁰ The fact that the municipality issued seven more policies per year, on average, suggests that policy makers struggled to arrive at a set of rules and regulations that could establish stable sectoral governance in the zone. It also suggests that these officials' first preference is not simple negligence or maintenance of the status quo. Rather, it indicates that policy makers have attempted to actively intervene in the regulation of street commerce, but in the process have found it necessary to improvise constantly in response to events that arose in the district.

Table 4.3. Street vending policies in La Victoria, 1992-2002

<u>Policy Number</u>	<u>Date</u>	<u>Summary</u>
A.C. 001-92-CM	3/2/92	Prohibits vending on certain streets
R.A. 1307-92-ALC	8/25/92	Negates pact with vending associations on three streets; calls for vendors' immediate eradication
D.A. 015-93-ALC	5/10/93	Prohibits vending on certain streets
Edicto 001-93	5/20/93	Creates new tax to fund security force
R.A. 0253-93-ALC	5/25/93	Calls for relocation of one kiosk
D.A. 023-93-ALC	6/4/93	Calls for restructuring of CTMCA
Ord. 005-93-LV	6/8/93	Prohibits vending on certain streets
A.C.020-93	8/9/93	Prohibits sale of certain foods on streets of La Victoria
R.A. 1060-93-ALC	8/25/93	Recognizes individual vending association
D.A. 092-93-ALC	9/10/93	Establishes FOMA and <i>sisa</i>
D.A. 093-93-ALC	9/10/93	Sets contribution levels for <i>sisa</i> ; restricts size of posts
D.A. 102-93-ALC	9/28/93	Establishes <i>sisa</i> for kiosks

²⁰ The actual number of policies passed during this period is undoubtedly higher. Table 4.4 shows the results of a search for policies conducted during fieldwork in 2001 and 2002; for the sake of presentation, some of the less relevant policies were omitted from the table. Informants (including leaders of street vending organizations and municipal officials) were asked to identify policies related to street vending during each of the three administrations, and once identified a search for the text of each policy was undertaken. However, some municipal policies are never published in *El Peruano*, and the municipality does not keep complete records of the policies it passes. Without such an archive, it was impossible to determine the exact number of policies issued during this time period.

Ord. 009-93-LV	10/12/93	Authorizes sale of food in tents
R.A. 1238-93-ALC	11/9/93	Names <i>sis</i> a collectors and establishes commissions
R.A. 1239-93-ALC	*	Names new <i>sis</i> a collectors and changes commissions
R.A. 1459-93-ALC	*	Recognizes individual vending association
*	*	Names new <i>sis</i> a collectors and changes commissions
R.A. 0041-94-ALC	1/13/94	Calls for immediate eradication of 4 kiosks
D.A. 004-94-ALC	2/9/94	Shifts responsibility for collecting <i>sis</i> a to FOMA
*	6/10/94	Approves new regulations for FOMA; negates D.A. 092-93
A.C. 020-94	8/9/94	Suspends payment of salaries to FOMA members
A.C. 021-94	8/9/94	Shifts responsibility for collecting <i>sis</i> a to Municipal Treasury
A.C. 022-94	8/9/94	Calls on FOMA representatives to return paid salary
A.C. 023-94	8/9/94	Establishes Evaluation Commission to investigate FOMA
R.A. 2205-94-ALC	8/15/94	Calls for immediate eradication of vendors at one location
R.A. 1663-94-ALC	10/6/94	Authorizes one company to install kiosks around district
D.A. 0033-94-ALC	12/7/94	Raises level of <i>sis</i> a contributions and reduces commissions
D.A. 0045-94-ALC	12/23/94	Authorizes FOMA to enact cleaning campaign
D.A. 0046-94-ALC	12/23/94	Calls for reordering of street commerce by eradicating vendors without current licenses
D.A. 0047-94-ALC	12/26/94	Approves new regulations for FOMA
D.A. 0048-94-ALC	12/26/94	Approves new regulations for CTMCA
*	*	Calls on CTMCA to conduct registration campaign
R.A. 0274-95-ALC	2/28/95	Recognizes representatives of one vending federation
R.A. 0275-95-ALC	2/28/95	Recognizes representatives of one vending federation
D.A. 0020-95-ALC	3/15/95	Suspends payment of <i>sis</i> a
D.A. 0046-95-ALC	5/22/95	Prohibits vending near Parque Canepa; authorizes only vendors deemed indispensable to district
R.A. 0427-95-ALC	7/31/95	Calls for immediate eradication of various kiosk and cart owners
R.A. 1737-95-ALC	8/28/95	Calls for expulsion of vendors occupying storefront garden
A.C. 006-96	1/19/96	Establishes new Commission to investigate FOMA and CTMCA
A.C. 029-96	5/9/96	Calls for new regulations of FOMA and external audit; shifts responsibility for collecting <i>sis</i> a to complete muni. control
A.C. 034-96	5/20/96	Calls on CTMCA to develop new vending regulations
A.C. 045-96	5/22/96	Rejects complaint filed by vendors regarding A.C. 029
Ord. 001-96	8/22/96	Creates new <i>tasa</i> to be charged to vendors; negates <i>sis</i> a
A.C. 065-96	8/22/96	Approves new regulations for street vending throughout district
Ord. 003-96-MDLV	8/22/96	Outlines new regulations for street vending
R.A. 0904-96-MDLV	11/15/96	Outlines administrative reorganization of municipal government
Edicto 001-96	12/23/96	Establishes new organizational structure of municipality
A.C. 106-96	12/31/96	Recommends disbanding FOMA in light of elimination of <i>sis</i> a
D.A. 033	4/16/97	Creates special municipal commission to devise new strategy for formalizing vendors
D.A. 048	6/18/97	Prohibits vending on certain streets
A.C.039-97	6/23/97	Prohibits vending on certain streets
D.A. 004-97-ALC	10/2/97	Declares beginning of new project to reorder Jirón Gamarra, including expulsion of street vendors
Ord. 002-99-MDLV	1/6/99	Redefines municipal tax regime; negates all previous <i>tasas</i>
Ord. 004-99-MDLV	1/6/99	Establishes framework for funding security force; duties include collection of daily payment from street vendors
Ord. 005-99-MDLV	1/6/99	Redefines time frame for charging operating licenses
Ord. 014-99-MDLV	1/28/99	Approves new regulations for issuing operating licenses

Ord. 015-99-MDLV	1/28/99	"Formalizes" street commerce in the district
Edicto 001-99-MDLV	1/28/99	Creates new municipal office to oversee street vending issues
A.C. 016-99-MDLV	3/19/99	Declares urgent situation in area of wholesale and retail markets
Ord. 018-99-MDLV	3/19/99	Establishes tax incentive for vendors who formalize
Ord. 028-99-MDLV	7/23/99	Establishes sanctions and fees for various acts of non-compliance
Ord. 033-99-MDLV	10/15/99	Establishes rules for applying above sanctions
Ord. 035-99-MDLV	11/23/99	Names special zone around wholesale and retail markets; prohibits occupation of public space in that zone
R.A. 0578-00-ALC	6/21/00	Authorizes vendors on sidewalks around one commercial center
Ord. 047-00-MDLV	6/22/00	Approves new comprehensive regulations for area around wholesale and retail markets
Ord. 045-00-MDLV	6/22/00	Approves formal legal text for above regulations
Ord. 050-00-MDLV	7/14/00	Grants special authorization to vendors of certain products
Ord. 054-00-MDLV	11/30/00	Approves new regulations for authorized vendors

*In some cases only drafts of policies missing policy numbers and dates were available.

The policies shown on Table 4.3 also reflect the particular problems the district had with implementing parts of Ordinance 002. Twenty-four of the 74 policies listed in the table had to do with the *sisa*, the FOMA, or the CTMCA. The administration of Carlos Caamaño Castro, which took office in 1993, attempted to implement Ordinance 002 by establishing the *sisa*, the FOMA, and the CTMCA together with the three principal street vending federations in the district. However, as the table indicates, neither the Caamaño administration (1993-1995) nor its successor (the administration of Juan Olazábal, 1996-1998) was ever able to establish the smooth functioning of these three components of Ordinance 002. Methods for collecting the *sisa* became a particular point of contention, and as Chapter Six will show, ultimately led to the demise of the experiment with implementing the metropolitan ordinance in La Victoria.

Moreover, the policies listed in the table show how ad-hoc and particularistic local policy toward street vendors can be. Twenty-one of the 74 policies deal with a

particular area, street, person, or vending organization, rather than the sector as a whole. Examples of particularistic policies include measures that declare street vending illegal on individual streets; grant legal recognition to individual associations of street vendors; establish rules only for vendors of certain products; and call for the eradication or relocation of a single kiosk, stand or stall, oftentimes in response to a complaint from a resident or shopkeeper. Thus, they are not regulations designed to impose order on the sector as a whole; rather, they are intended to respond to individual problems as they arise.

This reactive and particularistic orientation of local policy reflects the problems that make street-level governance and conflict more likely outcomes than sectoral governance. The absence of a consistent and feasible framework in national and metropolitan level policy forces municipal districts to improvise different ways of managing the problems associated with street commerce that fit local needs, and those methods of improvisation fuel conflict between street vendors and the state. The fact that policy changes are so frequent makes it difficult for leaders of street vending associations to develop longer term, proactive strategies for engaging with local officials.

This is particularly the case when some policies benefit individual associations and punish others. For example, Ordinance 050 of July 2000 grants special authorizations to shoe shiners and vendors of quinoa, sodas and candy, herbal drinks, and magazines and newspapers. Leaders of vending associations in each of these product categories considered the ordinance an important political victory, and as a result distanced themselves from other associations in the district that did not enjoy the

same privileges. This policy therefore had a divisive effect on vendors who otherwise would share a common interest in beneficial legislation for the whole district.

The absence of a stable policy framework, along with the municipal government's tendency to issue a high volume of particularistic policies, fuels the deep sense of mistrust and cynicism among street vendors in Gamarra that does not appear to the same extent in Caquetá. The high stakes created by the zone's economic success, along with the strategies of street vending leaders and the district's power brokers to oppose one another at all costs, have helped perpetuate conflict and street-level governance over the past ten years.

Cynicism and Disengagement among Gamarra's Street Vendors

The combative political dynamics stemming from Gamarra's particular development as a dynamic commercial area have not only produced a pattern of persistent conflict between vendors and governments, but also a pattern of cynicism and disengagement among street vendors in that zone. The following discussion compares the attitudes and behavior of vendors in Gamarra and Caquetá, showing that although vendors in the two zones share demographic and working characteristics, those in Gamarra are much more negative and cynical than those in Caquetá.

Demographic characteristics and working conditions. In many ways, street vendors in Caquetá and Gamarra are quite similar, even though the political and commercial environments in which they work differ somewhat. Demographically, the two groups of vendors are nearly identical: at each site, about half of street vendors are

men and half are women, around 70 percent are married, and the average age is close to 40 (see Table 4.4).

Table 4.4. Demographic characteristics of street vendors by district²¹

	Gamarra		Caquetá	
	Men	Women	Men	Women
Gender breakdown	50.9%	49.1%	45.8%	54.2%
Percent married	68.2%		72.9%	
Average age	41.7		40.0	

Source: 2003 Microbusiness Survey.

In terms of working conditions, the overwhelming majority of vendors at both sites rely on street vending as their only job (see Table 4.5). On average, vendors from each site have been working as street vendors for more than ten years, and currently spend more than ten hours per day working at their post. Nearly all vendors at each site have only one vending post and sell primarily to the general public. An average day's work yields between 29 and 35 *nuevos soles* (about US \$8.50-10.00) at each site, and on a bad day vendors at each site may make roughly 13-15 *nuevos soles* (about US \$4.00-4.50). Vendors at both sites seem to have been equally affected by the country's continuing economic stagnation of the early 2000s; nearly all vendors at both sites say that business was worse at the time of the survey (June 2003) than it had been the year before.

²¹ The difference in means test or chi-square test for each variable was statistically insignificant.

Table 4.5. Work characteristics of street vendors by district²²

	Gamarra	Caquetá
Work as vendor is only job	98.1%	99.1%
Works only at one vending post	94.5%	89.5%
Average number of years as vendor	11.2	13.4
Average hours at post each day	10.7	11.2
Principal client is general public	96.3%	98.3%
Average daily income (S/.)	35.0	29.4
Average income on a bad day (S/.)	13.1	15.0
Business is worse than a year ago	83.5%	88.6%

Source: 2003 Microbusiness Survey.

Political Engagement and Cynicism. Notwithstanding the remarkably similar demographic and work-related characteristics of street vendors across the two districts, the two groups exhibit some important political and attitudinal differences. First, more street vendors in Caquetá are engaged politically than vendors in Gamarra. This engagement can take the form of both participation in political activities, and familiarity with government and NGO programs that help street vendors. Second, participation in street vending associations is both more pervasive and more vibrant in Caquetá than in Gamarra. Third, vendors in Caquetá exhibit significantly more positive attitudes about politics and politicians than those in Gamarra. These differences between vendors at the two sites are a preliminary indication that local political arenas can have an important effect on individual street vendors' attitudes and behavior.

²² The difference in means test or chi-square test for each variable was statistically insignificant.

Street vendors in Caquetá seem to be more engaged politically than their counterparts in Gamarra. As Table 4.6 shows, far more vendors in Caquetá reported that they have contacted the government in an attempt to resolve a problem, or that they have participated in a protest to try to resolve a problem, than in Gamarra. In addition, vendors in Caquetá are more familiar with government and NGO programs that provide technical assistance to street vendors. For example, the survey asked whether respondents are familiar with a government program called PROMPYME that offers training, legal advice, technical assistance, and tools for accessing loans and government purchases. As the table shows, nearly three times as many vendors in Caquetá were familiar with PROMPYME than in Gamarra, and twice as many vendors in Caquetá had obtained a loan in the past year from either a government or NGO program than in Gamarra. Likewise, more vendors in Caquetá were familiar with Alternativa, a major NGO that has programs to support street vendors in the northern part of Lima.²³

Table 4.6. Street vendors' political engagement by district (%)

	Gamarra	Caquetá
Has contacted government**	21.8	35.0
Has participated in a protest*	29.1	41.9
Is familiar with PROMPYME*	3.6	9.3
Is familiar with Alternativa***	0.0	28.8
Has obtained a loan from government or NGO*	6.4	12.8

Source: 2003 Microbusiness Survey.

* Chi-square test statistic is significant at the $p < .05$ level.

** Chi-square test statistic is significant at the $p < .01$ level.

*** Chi-square test statistic is significant at the $p < .001$ level.

²³ This result is not surprising given that Alternativa is active in Caquetá but not in Gamarra, which is located outside the northern cone. Nonetheless, it helps show how relatively isolated vendors in Gamarra are from such programs. There is no comparable NGO near Gamarra that does the same work.

Caquetá's vendors are also more engaged with their associations than vendors in Gamarra. As Table 4.7 shows, nearly 20% more street vendors in Caquetá belong to an association than in Gamarra, and nearly 10% more in Caquetá either always or almost always attend regular association meetings. To be sure, rates of engagement with associations are higher in both areas than conventional wisdom might suggest; these relatively high rates are most likely attributable to the central-city location of both research sites. Nonetheless, the higher rates of participation in Caquetá suggest that local conditions, even among similarly crowded central-city districts, can have an important effect on collective action among vendors.

Table 4.7. Engagement in associations by district (%)

	Gamarra	Caquetá
Is member of association***	54.5	73.5
Participates in meetings always or almost always***	71.6	80.3

Source: 2003 Microbusiness Survey.

*** Chi-square test statistic is significant at the $p < .001$ level.

Finally, street vendors in Caquetá have significantly less negative attitudes about politics, politicians, and formal merchants than vendors in Gamarra. The survey asked vendors in each district whether they run into difficulties with either the municipal authorities, or with formal merchants in the area. In Caquetá, notwithstanding the ever-present threat of a police expulsion, just under eight percent of street vendors said they have trouble with the authorities, while 30 percent of vendors in Gamarra said the same (see Table 4.8). Conflicts with formal merchants also appear to be less prevalent in Caquetá than in Gamarra, as three times as many

vendors in Gamarra reported that they have problems with formal merchants than in Caquetá.

Table 4.8. Attitudes toward politics, politicians, and formal merchants by district (%)

	Gamarra	Caquetá
Has problems with municipal government***	30.0	7.6
Has problems with formal merchants*	10.9	3.4
Thinks it is better to be cooperative than to rely on oneself to solve problems***	25.7	44.4
Disagrees that politicians “decide what they want and I can do nothing to stop them”***	17.5	49.6
Disagrees that politicians “do not care what people like me think”***	10.0	37.6

Source: 2003 Microbusiness Survey.

* Chi-square test statistic is significant at the $p < .05$ level.

*** Chi-square test statistic is significant at the $p < .001$ level.

Moreover, vendors in Caquetá have more cooperative and less negative views about politicians. When asked whether it is better to be cooperative than to rely on oneself to resolve important problems, nearly 20 percent more vendors in Caquetá responded that it is better to cooperate. The differences between vendors in terms of attitudes toward politicians were even more striking. Vendors were asked whether they agree or disagree with the following two statements: that politicians “decide what they want, and I can do nothing to stop them,” and that politicians “do not care what people like me think.” While just under 18 percent of street vendors in Gamarra disagreed with that statement, nearly 50 percent of Caquetá disagreed. This result suggests a higher degree of political efficacy among vendors in Caquetá. Likewise, while only ten percent of vendors in Gamarra disagreed with the statement that

politicians do not care what people like them think, almost four times that number in Caquetá disagreed.

Put together, these survey results reveal a striking pattern of difference across the two districts. Although they share similar demographic and economic characteristics, vendors in Caquetá seem to be more associative, more politically engaged, and less cynical about politicians than their counterparts in Gamarra. These differences suggest that street vendors in Caquetá have had a less negative experience with local politicians and with their own associations than those in Gamarra. In fact, it suggests that participation in associations may have made vendors in Gamarra *less* civic than they were before conflicts with the authorities became so intense. The following chapter explains how associations rise and fall with the political climate.

Chapter Five. Federations, Bases, and the Prospects for a United Strategy

This chapter turns from the state side to the vendor side of negotiations over formality. The chapter first describes the efforts of vendors to “scale up” their organizations from street-level associations to sub-district, district, metropolitan, and national federations. It then argues that while association formation is relatively easy for street vendors, their ability to coordinate and scale across associations is affected by contingent political circumstances. Local vending federations are more likely to unite behind a single, comprehensive strategy for formalization when political conditions are favorable, and they are more likely to divide over disagreements about strategy when they perceive threats to their survival. Thus, the strategies of vending leaders in terms of scaling are influenced, to a significant degree, by external political factors.

The remainder of the chapter shows how this pattern is reproduced at the metropolitan and national levels, where vending federations currently face considerable political hostility and remain weak and politically marginalized. The most prominent metropolitan-level vending federation, FEDEVAL, has initiated alliances with one of Peru’s major trade union confederations, as well as a nascent political party. FEDEVAL and a national-level federation, CONATAP, have also pushed for a new national law of street commerce. However, these federations face substantial political hostility from those in power, and their projects have made little progress. Unfavorable conditions have also weakened FEDEVAL’s ties to its bases.

Scaling Up: From Base-Level Associations to Federations

As Chapter Two argued, vendors with fixed posts in central-city areas commonly form social networks as part of the process of creating street markets. These social networks, in turn, facilitate the formation of base-level associations, which have proliferated throughout the city since about 1950. Membership requirements tend to be minimal, so the advantages of joining an association typically exceed the disadvantages and formation becomes relatively easy at the base level. In areas of dense commercial concentration, base associations typically form at the level of blocks or half-blocks.¹ In some cases, associations also form on the basis of product category, but in most cases the basis of an association is territorial. Base associations can group together anywhere from 10 to about 300 individual street traders.

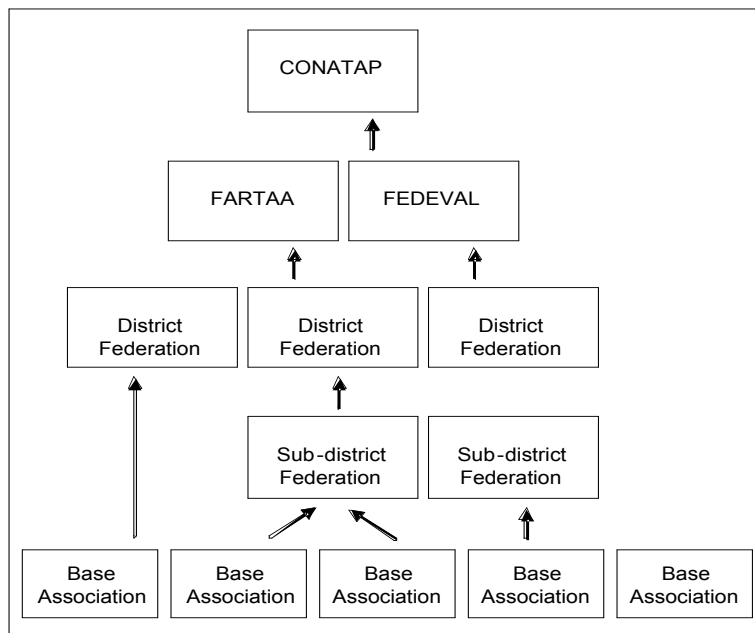
Base associations, in turn, are sometimes aggregated into higher-level organizations that provide the means for coordination, contact, and negotiation with the broader political arena. These higher-level organizations are called federations, centrals, or fronts.² They can group together base associations either at the level of sub-district zones – that is, certain areas or zones within a single municipal district – or at the level of districts as a whole. For example, base associations in Caquetá are grouped into a sub-district front called the United Front for the Defense and Development of Caquetá (FUDDCC), while base associations in the district of

¹ That is, one side of the street on a single block.

² All three of these labels refer to the same kind of organization: one that groups together other associations, rather than individual people.

Independencia are grouped into a single district-level federation, called the District Federation of Street Vendors of Independencia (FEDITAI). Sub-district federations, fronts and centrals are sometimes affiliated with district-level federations, but not always. In the case of Gamarra, for example, three sub-district federations existed from about the mid-1980s to the late 1990s, but no district-level federation existed to group them together.

Figure 5.1. How Vending Associations “Scale Up”



Both sub-district and district-level federations, in turn, may be linked to a metropolitan-wide federation of street vendors (see Figure 5.1). At present, the two metropolitan-level federations are FEDEVAL (the Departmental Federation of Street Vendors of Lima) and FARTAA (the Broad Front of Autonomous Ambulatory

Workers). Again, it is not always the case that district-level federations affiliate themselves with city-wide organizations like FEDEVAL; some association and federation leaders view such affiliations in a negative light, and choose instead to retain their independence. Metropolitan federations, in turn, can be affiliated with national federations. The only existing national federation at present is the National Confederation of Street Vendors of Peru, or CONATAP.

Figure 5.1 thus shows the range of possibilities in terms of the linkages between base associations and federations at the sub-district, district, metropolitan, and national levels. In some cases, base associations choose not to affiliate with any federations (lower right corner). In others, base associations may scale up to sub-district federations (lower middle), and in other cases they may scale up directly to district federations, by passing sub-district federations (lower left). These linkages are not necessarily stable over time; as Chapter Six will show, many associations withdraw from federations when their leaders disagree with strategy choices made by federations.

Similarly, federations at the sub-district and district levels may or may not choose to scale up or affiliate themselves with higher-level federations. For example, FEDEVAL, the metropolitan-level federation, enjoyed a vast base of local-level affiliates in the 1980s, but the majority of them have withdrawn from the federation in the 1990s. As the following discussion will show, the success of both sub-district federations and higher-level federations has been influenced in important ways by contingent and variable political conditions.

Federation Strategy and the Local Political Arena

The decision of association leaders to unite with other associations under a single federation is often based on a combination of two factors: (a) personal ties among base association leaders, and (b) perceptions of the strategic environment around them. In terms of personal ties, leaders of base associations tend to be vendors who have been in the same area for many years. These leaders, the majority of whom are men, are often more educated than the average vendor, and frequently have considerable political savvy. More importantly, leaders of base associations often do not rotate at regular intervals. While most associations have a constitution that specifies how often leadership elections are to take place, those rules are frequently ignored, and the same individuals retain leadership positions for several years.³ As a result, they are likely to develop social relationships with other leaders in the same area, either in the form of friendships or rivalries. Those personal friendships and rivalries play an important role in associations' ability to unify.

Beyond personal ties, however, leaders base their choices to scale up to federations largely on their perceptions of the political conditions around them. When political conditions are favorable, leaders are more likely to unite; conversely, when political conditions are hostile, leaders tend to bicker over strategy.

In the case of Gamarra, for example, base associations scaled up into three sub-district level federations in the 1980s.⁴ The first, the United Central of Street Vendors

³ These conclusions are based on dozens of interviews and several months of observation in Gamarra's street markets. Nearly all leaders there are men, and nearly all of them have known one another for more than a decade. Close personal relationships link some of these leaders together, while bitter personal rivalries exist among others.

⁴ These federations can also be called "second-level organizations" (*organizaciones de segundo grado*).

of La Victoria (Central Única de Trabajadores Ambulantes de la Victoria, or CUTAV), was founded on August 1, 1980 and later reconstituted under the name FEDITAV (District Federation of Street Vendors of La Victoria) in 1984. This federation was officially recognized by the local authorities on December 20, 1986. The second federation, CUTASPA (Central Única de Trabajadores Ambulantes del Sector Parada y Aledaños), was founded on April 8, 1985 and also granted official recognition in December 1986. While FEDITAV claimed to be a district-wide federation, CUTASPA grouped together only base associations whose members were located on the streets surrounding the city's wholesale and retail markets, on the east side of Aviation Avenue in La Victoria. The third federation, FEBAINVIC (Federación de Bases Independientes de Trabajadores Informales de la Victoria), was founded on June 23, 1987 and recognized through a mayoral resolution on October 2, 1987.⁵

These federations were formed under the relatively pro-vendor political conditions that dominated in the mid-1980s. La Victoria already had one of the largest concentrations of street vendors in metropolitan Lima at the time, and voters in the district had elected a mayor affiliated with the United Left. United Left, meanwhile, maintained a political alliance with vending organizations and promoted pro-vendor policies. Moreover, Metropolitan Ordinance 002 had just been passed, and the potential for its implementation at the local level was relatively strong. The three federations were initially successful in forming a Mixed Technical Commission at the local level to further elaborate the terms of formalization.

⁵ Almanza San Miguel (2004: 3).

As Chapter Six will show, however, federation leaders began to bicker over strategy in the 1990s, when political conditions became more hostile. The main issue dividing leaders of these federations was whether to radicalize in the face of policies that only selectively implemented parts of Ordinance 002. In response to the radicalization of one vending federation, many affiliated bases chose to withdraw from the federation and pursue their own strategies. The other vending federations pursued a more moderate course, but still lost base-level affiliates as their leaders came under threat from increasingly hostile administrations.

The strength and survival of these federations was thus largely subject to prevailing conditions in the local political arena. The small group of activist leaders who led the movement to form federations and get Ordinance 002 implemented remained in place through the 1990s. Thus, it was not changes in the leadership that produced the shift from united to divided strategy. Rather, the threat posed by hostile mayors in the mid- to late-1990s who had abandoned the idea of implementing Ordinance 002 in favor of “reordering” or “eradication” projects provoked radicalization among some leaders and retreat among others. As the following section will show, the same general dynamic was reproduced at the metropolitan and national levels.

Outward Linkages in the New Interest Regime

Although base-level associations of vendors have been a steady presence in the city for the past half-century, the 1990s were difficult years for Lima’s street vending federations. In particular, FEDEVAL scaled back its activities considerably after

leaders became targets of the Shining Path's urban campaign in the late 1980s and early 1990s. The organization began to rebuild in the early- to mid-1990s, once the terrorist threat had subsided. FEDEVAL activists also helped initiate an attempt to scale up their activities to the national level, forming the National Confederation of Street Vendors of Peru, CONATAP, in 1993.

For the next ten years, FEDEVAL and CONATAP undertook two main strategies to advance the interests of the street vending sector. First, the federations began to construct alliances with trade union confederations, international organizations, and an emerging political party. Second, they used those alliances and their own initiative to speak out on issues that affected the street vending sector, including the proposal of a new national law of street vending. These strategies put the federations in a position to "speak for" the street vending sector as a whole. However, the federations had lost a substantial proportion of their support base under the hostile political conditions of the 1990s. By the year 2000, FEDEVAL leaders maintained only weak and personalized ties to their bases, and remained politically marginalized despite their efforts to construct new alliances.

Alliances with Unions and International Organizations. The first success of FEDEVAL in constructing alliances with other political actors came in the mid-1990s, when the federation became an affiliate of CUT-Perú, one of Peru's two major trade union confederations.⁶ The CUT provided support to FEDEVAL in two ways. First, it opened a support center for street vendors, called the "House of the Informal

⁶ CUT stands for the Unitary Central of Workers of Peru. The other major federation is the General Confederation of Peruvian Workers, or CGTP.

Worker” (*Casa del Trabajador Informal*, or CATIC), on December 12, 1997. The center offered a range of services to informal workers at affordable prices, including legal advice, general medical and obstetric services, meals from a *comedor popular*, communications services, and job training.

Second, the CUT became an advocate on behalf of informal workers’ rights. For example, it circulated pamphlets, fliers, and newsletters discussing informal workers’ right to organize, drawing on the same key pieces of legislation (Ordinance 002 of 1985, Supreme Decree 1991, and the constitutional right to work, most prominently) as the vending organizations to justify their claims. In May 1999 the union confederation sponsored a national conference on the informal sector, and in September 2000 it held a workshop on access to the country’s social security and public health systems for street vendors.

The union confederation also actively assisted FEDEVAL in its campaign to criticize Bonifaz, Andrade, and Fujimori for the government’s use of violence in the February 1999 expulsion in Gamarra. CUT distributed a form letter to base association leaders for them to send to President Fujimori, Minister of Labor Jorge Mufarech, President of the Congress Victor Joy Way, the president and a member of the congressional human rights commission, and Minister of the Interior José Villanueva Riesta, among others. The letter outlined the events that took place on February 18, relevant legislation and international conventions protecting vendors’ rights, and soliciting a more constructive solution to the problem. CUT provided the telephone and fax numbers for the relevant offices to leaders who joined in the letter-writing campaign.

CUT also used its standing to demand more media attention to the plight of the street vendors in Gamarra, and to back the vending federations in their public denunciations of state violence used to expel vendors from the streets. Its outspoken defense of street vendors reveals an important shift away from trade unions' traditional exclusion of informal workers. CUT's National Executive Committee, for example, circulated the following flier in the spring of 1999:

CUT-Perú directs itself once again to pronounce, for the second time, that it stands in firm solidarity with its brothers and sisters, the street vendors of Gamarra, La Victoria, and of all of Metropolitan Lima.

Our central and the other labor centrals of Peru are outraged and surprised by the attitude and behavior of Juan Infante and Mayor Bonifaz Carmona, who are giving false information to the press and to the public, generating a constant psychological threat to the humble street vendors of Gamarra.

Mr. Infante, an emissary of the gallery owners in Gamarra, cloaked in a supposed "coordinator of entrepreneurs of Gamarra," has authorized himself to denigrate, discriminate against, and marginalize street vendors. Far from seeking solutions for both sides, this gentleman is agitating to begin a civil war between Peruvians.

This attack constitutes a violation of human rights. The attitude of subversive violence generated by Juan Infante and Bonifaz Carmona goes against the peace and tranquility of Peruvians. For these reasons we express the following:

1. We denounce and reject the violent and provocative attitude of Alberto Andrade Carmona, Bonifaz Carmona and Juan Infante for trying to resolve a social problem in an irrational and inhumane manner, with clubs, arms, etc.
2. We exhort the media to diffuse our serious proposals, and to give us space equal to that of our competitors, so that we can mount our own defense.
3. We invoke the Minister of the Interior to not be surprised by false demands of the mayor and others to impose reprisals on thousands of women and children who are street vendors and who demand social justice and development assistance.
4. We solicit the judicial branch to resolve favorably the *acción de amparo* accepted by the courts.

CUT officials also issued individualized letters to central government officials to denounce the February 18 expulsion, and informed the Inter-American Regional

Workers' Organization (ORIT) and the human rights commission of the Organization of American States (OAS) of the incident.

FEDEVAL's alliance with CUT therefore raised its own profile and provided it with an important ally in the political arena. Its partnership with ORIT, created through its affiliation with the CUT, also brought the vending federation access to cooperative ventures with international NGOs. One example was a 1999 project with a Dutch NGO called FNV to provide financial services to street vendors. ORIT also assisted FEDEVAL's cause by issuing letters to Fujimori denouncing the repression of street vendors.

By 2004, FEDEVAL found a second international ally in StreetNet, an international network of street vending organizations based in Durban, South Africa. StreetNet was founded in 2002 with the objective of promoting informational exchange on issues related to street vending, as well as strategies for organization and advocacy. StreetNet held organizing workshops in Lima in February 2001, and conducted an extended field visit in Lima in June and July of 2004 during which its representatives met with FEDEVAL leaders to discuss future strategies for fortifying vendors' organizational capacity. The organization plans to assist FEDEVAL, which became a formal affiliate of StreetNet in 2004, in pushing municipal governments to implement Ordinance 002 of 1985.⁷

Alliances with political parties. The leadership of FEDEVAL has also attempted to cultivate ties to an emerging political party in recent years. The Democratic Decentralist Party (*Partido Democrático Descentralista*), or PDD, is a

⁷ Personal communication with representative of StreetNet, 17 September 2005.

party reconstituted from fragments of the 1980s left. The party was founded in March 1998 as “the party of the micro and small enterprise and youth,” and claims to represent two pillars of Peruvian society that respectively form 98% of economic units in the country (3.5 million small and microenterprise firms) and 69% of the population (19 million young people).

Street vending leaders who are affiliated with FEDEVAL have played a central role in developing the party’s Metropolitan Lima Sectoral Committee for Street Vendors, Small Merchants, and Microentrepreneurs. Several of the principal street vending leaders from Gamarra, who have also held leadership positions in FEDEVAL, hold leadership positions in this sectoral committee. Other principal participants in the committee include the current general secretary of FEDEVAL and a former FEDEVAL general secretary who was also elected to the Metropolitan Lima city council in the mid-1980s. These leaders have been active in promoting leadership seminars, diffusing information about the new party, and mobilizing other vendors to join in the party-building process in their respective districts.

The party’s ideology adapts traditional elements of leftist thought to contemporary political conditions in Latin America. Its early propaganda states that the party was founded in response to the economic, political, social, and moral crisis that the country was facing around the year 2000, and it argues that a central component of that crisis is the effect of ten years of authoritarian politics and neoliberal economics instituted under Fujimori. Neoliberal measures are to blame for the high percentage of Peruvians living in poverty, and the continuing commitment to market-oriented economic policies under the early Toledo administration “guarantees

nothing more than the interests of big foreign capital.”⁸ Similar proclamations of resentment toward multinational corporations (particularly in the extractive sector), the role of the IMF in the country’s adoption of neoliberal reform, and the global dominance of the United States echo the ideological commitments of the old Latin American left that pushed for nationalization and protectionist policies in the 1960s and 1970s.

The PDD’s formation as a party of petty entrepreneurs, however, precludes it from borrowing other elements of the old leftist ideology. The party’s leaders avoid using class-oriented discourse, and instead emphasize the themes of decentralization, citizen participation, democratic construction, and economic and social justice in the context of a globalizing economy.⁹ The party platform argues that countries that respect current global trends – including democratization, economic globalization, environmental protection, and universal respect for human rights – will prosper, while countries that ignore or reject these trends will fail.

The participation of FEDEVAL leaders in the early, organization-building stages of the PDD’s development reflects their personal commitments to political participation. These leaders are not involved in the party because it can offer them easy access to leadership positions in government or influence on the ruling elite’s current policy priorities. The PDD remains a marginal party; it has not gained a single office on the national scale, and the results of the CIRELA survey showed that just 3 people in a sample of 1,484 (0.2%) affiliated themselves with the PDD. Rather,

⁸ This position is repeated in fliers distributed by the district committee of San Martín de Porres, as well as ideological position papers distributed among party activists.

⁹ Presentation of party platform distributed by the Departmental Committee for Metropolitan Lima.

FEDEVAL leaders are committing time, energy, and organizational skills to building the party because they value such participation in and of itself, and they believe political participation is a duty that will make their country more democratic.¹⁰ Yet as the discussion below will suggest, this commitment to engagement with the political process shows how different FEDEVAL's leaders are from the street vending sector as a whole.

Proposed National Law of Street Commerce. In addition to the strategy of constructing alliances with labor confederations, international organizations, and political parties, FEDEVAL and CONATAP also helped initiate a drive to pass a new National Law of Street Commerce in 1998. A 1994 law, called the Citizen Rights to Participation and Control Law (Law No. 26300), granted citizens the right to initiate legislative proposals (called *proyectos de ley*) and name two representatives to shepherd them through the legislative process. The vending federations found two such allies, congressman Rigoberto Ezquerria Cácares and congresswoman María Jesús Espinoza Matos, both of Fujimori's party, C90-NM, in 1998. According to one street vending leader, part of the motivation behind the proposed law was the political prominence that Alberto Andrade was gaining after the 1996 expulsion in downtown Lima, as well as the rumor that he had presidential aspirations.¹¹

CONATAP and FEDEVAL held a first meeting on 30 January 1998 to discuss the idea of proposing a new law, and support for the proposal among the leaders who attended was enthusiastic. The federations followed up with second assembly on 20

¹⁰ FEDEVAL leaders and activists expressed this interest in political participation over and over again in interviews and informal conversations.

¹¹ Personal communication, 13 June 2003.

February 1997 to gather input from base associations on the proposed law, and in April initiated a petition drive to gather enough signatures to get the proposed law to be debated by the relevant congressional committee.¹² To gather the necessary signatures, the federations circulated a letter to leaders of base associations throughout the metropolitan region, asking them to gather signatures from association members, family members, and even the vendors' clients. CONATAP supplied the leaders with informational handouts discussing the content of the proposed law.¹³

The proposed law, Proyecto de Ley 4387/98-CR, called for the formation of a national-level agency to implement national policy toward street vendors. The agency, CONAINFORTAA (the National Council for the Integration of Autonomous Ambulatory Workers into Formality), would be comprised of representatives from various government ministries, representatives of the Association of Peruvian Municipalities (AMPE), and representatives of street vending associations. The creation of a national-level agency would have represented an historic change in the central government's involvement in the governance of street commerce.

In addition to creating this national-level agency, the new proposal contained further provisions to help vendors become integrated into national institutions. For example, the measure required vendors to pay income taxes through the RUS, and called for the incorporation of street vendors into the country's national social security

¹² A letter to base association leaders stated that they needed 37,300 signatures.

¹³ The letter asking leaders to gather signatures also requested a donation of S/0.50 to help fund the costs of the campaign. In addition, the federations asked attendees of the February 20 assembly to pay S/.10, the equivalent of about three U.S. dollars, to attend the meeting. These sorts of requests for monetary contributions may be a contributor to the cynicism about the federations, as there are no oversight mechanisms for street vendors on whose behalf they work to ensure that the funds are well spent.

system, IPSS. The proposed law also reinforced D.S. 005-91-TR by granting formal legal recognition to Autonomous Ambulatory Workers.

The proposal did not uniformly grant street vendors concessions, however. It required municipal governments to issue authorizations for using public space, and granted them full authorization to control vending in public spaces. Interestingly, the measure allowed for both eradication projects and the confiscation of merchandise for non-compliance with laws, though it called on municipal governments to undertake eradication efforts “taking into account the impact and the magnitude of the change” for the affected vendors, and to treat vendors justly and relocate them peacefully, respecting their constitutional rights. The measure also called on various state agencies to develop social assistance programs for vendors, particularly with respect to nutrition and childcare.

Despite the encouragement that the vending federations received from the members of congress who supported the project, they were not able to push the measure through committee. One of the proposed law’s sponsors was on the relevant committee, but once it had been debated, the proposal’s opponents outnumbered its supporters. A vending leader involved in pushing for the new law attributed the defeat of the bill to pressure that the increasingly repressive Fujimori regime was putting on members of congress.¹⁴

¹⁴ Personal communication, 11 October 2004.

FEDEVAL and the Problem of Linking to the Base

These efforts on the part of FEDEVAL and CONATAP to construct political alliances at the national level and to promote political projects on behalf of the sector put the federations in a position to “speak for” street vendors as a whole. Indeed, the federations’ petitions, public pronouncements, press releases, and letters to political figures often contain language to that effect. They can also imply that the federations maintain strong, organic linkages with base associations, and that the leaders themselves are typical members of the sector. One petition signed by both federations and sent to Fujimori on 27 February 1997, for example, opened with the phrase “In representation of the street vendors of Peru...” Another letter from FEDEVAL to Fujimori dated 19 July 2000 read:

We are more than 150,000 organized informal merchants in Lima and Callao, duly organized and grouped together into civic institutions, and we present ourselves to you to express the following:

For many years, the informal commercial sector has had neither commercial stability nor adequate projects; perhaps the error is our own, as we have never been as creative and intelligent as you. For several months we have been designing a project that will solve our problems; we think we have a good proposal that will benefit many in the sector, create jobs, and contribute to the fiscal health and development of the country.

We only wish to explain our objective, because we have now found a new path toward democratic integration, and with intelligence and sacrifice we have been doing our work at all hours of the night. Mr. President, what we are writing to you today, is that history will open up to us the type of great change that you always talk about; we have worked with people very close to the government, and this has made us realize that you have undertaken your administration in a serious, clear, and transparent way.

For that reason, we want to tell you that we are convinced that your administration and government will help us grow in the short term, and besides, *it has been a request of all of the base organizations of the informal commercial sector* for us to ratify our confidence in and commitment to

you, and we are ready to organize and act in your favor.
(emphasis added)

This deferential language toward Fujimori undoubtedly was a political maneuver on the part of the federation's leaders to re-establish good relations with the Fujimori administration after they had spent the previous year denouncing Fujimori for backing of the use of force in the 1999 Gamarra expulsion. Nonetheless, the letter implicitly claims to be in contact with and speak on behalf of all informal merchants in metropolitan Lima, and later on behalf of all informal sector organizations in general.

Yet FEDEVAL leaders themselves admit that in fact, they are only in contact with a small subset of base-level vending associations. In an interview on February 7, 2002, one leader reported that they do not know how many base associations exist in Lima. They claimed to group together a total of about 80 associations, and in total they reported that there are about 200-300 people who are actively involved with the federation. The federation does hold general meetings that can attract a hundred or more people; this in and of itself is an accomplishment, given all the obstacles to coordinated collective action that street vendors face. But the meetings at which federation strategies and activities are planned consist of a very small core group.

Moreover, the linkages that do exist between FEDEVAL and base associations are based on a handful of personal allegiances and loyalties. The leaders of the organization maintain working relationships with about 10-12 leaders of base associations and lower-level federations from different districts in Lima. The fact that these base-level leaders work in different districts serves as the basis for FEDEVAL's

claim to represent street vendors throughout Metropolitan Lima.¹⁵ These leaders are the same ones who are active in the PDD, and who are responsible for mobilizing vendors for federation events. Thus, when base organizations are invited to participate in FEDEVAL events, it is these same 10-12 people who diffuse the information to other leaders of organizations in their districts whom they know personally, and with whom they maintain friendly relations. Those without personal relationships to FEDEVAL's leadership core are left out.

The result is that while FEDEVAL claims to speak on behalf of the entire sector, it is only in touch with a limited portion of that sector. Leaders of base associations who are left out, or who choose not to participate, reject FEDEVAL's claim to representativity. Some of these leaders have distanced themselves from FEDEVAL because of its Marxist orientation in the 1980s, even though the organization rarely exhibits the same sort of ideological commitments that it did twenty years ago. Others denounce the federation for not responding effectively to emergencies when they arise.¹⁶

Another common complaint among leaders who reject FEDEVAL concerns its lack of leadership rotation. One leader whose own association has withdrawn from FEDEVAL said that "its leaders are *mafiosos*," in that they "think they are eternal leaders who own the organizations." But "you cannot deceive people like that," this leader said. "They say the organization is for the people, but it is not."¹⁷ This leader

¹⁵ Leaders interviewed in 2002 reported that FEDEVAL has affiliates in 28 of Lima's 43 municipal districts.

¹⁶ Personal interview, 12 March 2002.

¹⁷ Personal interview, February 8, 2002. This leader also reported that only a few people benefit from CATIC, the support office that CUT set up for informal workers.

said that FEDEVAL had become too politicized, and that when the bases expressed a desire to elect new leaders, the existing leadership resisted. That resistance to leadership rotation led to several organizations' departure from the federation.

For its part, FEDEVAL has fought back by openly condemning leaders who challenge the existing leadership. In an October 2000 "invitation" to base-level association leaders, for example, FEDEVAL and other association leaders charged in the opening sentence that "the time has arrived for certain leaders to shed the egoism and sectarian attitudes that they have shown up until now." It went on to say that leaders in several districts "are not doing what is correct in their defense, do not solicit dialogue with the authorities, and do not offer serious and responsible proposals; instead they limit themselves to hiring lawyers who do not understand the problems of our sector, who only demand more and more money, who choose their own line of defense, without justification and without the correct orientation." This type of open recognition of rivalries and disagreements among organization leaders helps illustrate the absence of institutionalized, democratic channels within the federation for expressing and resolving disagreements. Rather than arriving at resolutions through a grassroots process of open debate and deliberation, leaders who disagree with one another simply chart their own course and denounce their detractors.

The difficulties facing street vending federations in scaling up the interests and demands of their sector are quite substantial. Among the bases, street vendors can and do routinely overcome the sort of collective action problems typically associated with their sector by forming block-level and street-level associations that effectively attend to localized problems. At the same time, many of these associations lack

institutionalized linkages with federations. Instead, those linkages are based only on personal, pragmatic relations among leaders.

The rise and fall of FEDEVAL reflects the same trend that has appeared at the local level. Political conditions were favorable for street vending organizations in the 1980s; they had a strong ally in the party-electoral arena in the United Left, the prevailing ideology was one that sympathetically viewed street vendors as victims of structural economic conditions, and local mayors were committed to implemented the terms of Ordinance 002 in their entirety. Moreover, the policy contradictions between national and metropolitan levels of government described in Chapter Three had not yet arisen. Under these circumstances, FEDEVAL became a strong and relatively representative voice of the street vending sector.

By the 1990s, those political conditions had changed dramatically. The United Left had splintered in the late 1980s and became largely dormant in the early 1990s, when leaders were threatened both on the extreme left (by Shining Path leaders) and on the right (by state security forces). Ideologically, the structural view of street vendors was replaced with a legalist view that understood vendors to be victims of excessive bureaucratic constraints. This legalist view, along with a politically popular emphasis on restoring law and order to the country, contributed to a much more hostile policy environment for vendors. In the face of these threats, leaders of vending associations began to retreat from their federations to pursue their own individualized strategies for formalization.

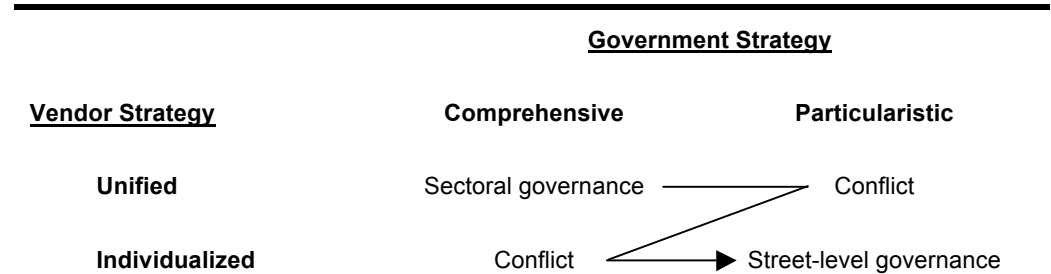
Chapter Six: Street Politics in the Garment District

This chapter integrates the arguments of previous chapters to show how national, metropolitan, and local-level factors have combined to produce a cycle of *desgobierno* in La Victoria's street vending sector. The fact that the district of La Victoria houses the city's dynamic garment district has made it into a high-stakes area, and those high stakes have produced a set of bitter enemies with diametrically opposing goals. In addition, policy incoherence produced at higher levels of government and shifts in the balance of power within the local political arena have limited vending organizations' prospects for scaling and contributed to the predominance of conflict and street-level governance.

Over the ten-year period beginning in 1993, street politics in the district cycled through each of the four scenarios presented in Table 1.2. Early in the administration of Mayor Carlos Caamaño Castro (1993-1995), the potential for sectoral governance in the district was strong. Caamaño was willing to implement the full terms of Ordinance 002, the district's street vending federations were united behind a strategy of supporting its full implementation, and vendors lacked powerful enemies at the time. However, the local authorities moved away from a comprehensive strategy toward the end of Caamaño's tenure, provoking conflict with vending organizations. The next two mayors, Juan Olazabal Segovia and Jorge Bonifaz Carmona, moved back toward a comprehensive approach, but one that was much more hostile toward vendors than Ordinance 002. This threatening approach resulted in division among vending federations, which in turn perpetuated conflict in the district. By the last two years of the Bonifaz administration, the district's vending federations had dissolved,

comprehensive policy approaches abandoned, and street-level governance re-established.

Figure 6.1. Gamarra’s cycle of *desgobierno*



The Potential for Sectoral Governance: 1993-1994

In the early years of the administration of Carlos Caamaño Castro in La Victoria, the prospects for establishing sectoral governance in the district were reasonably good. Caamaño entered office as mayor of La Victoria in January 1993, just as the garment district was beginning to take off economically. At the national level, the neoliberal reform measures undertaken in the first two years of the Fujimori administration had stabilized the economy, and per capita gross domestic product began to recover after 1992.¹ The beginnings of this economic recovery were evident in Gamarra. Before Caamaño entered office, much of the zone’s commercial activity had remained in the streets, while the traditional galleries that had been built in the

¹ Gonzales de Olarte 1998: 14.

1970s housed manufacturing activities and services.² During his tenure in office, this balance changed, as real estate developers began to invest heavily in the construction of new, modern galleries with extensive retail space.

Although real estate developers had begun construction on the galleries, they had not yet coalesced as a coherent group of power brokers. Street vendors, however, had formed several sub-district level federations by that time, and were relatively unified behind a strategy of pursuing the implementation of Ordinance 002. As a result, the relative balance of power in the zone was tilted toward the side of street vendors; they did not yet have a powerful enemy in the area, and the new mayor initially appeared to be a potential ally who would be willing to pursue Ordinance 002.

In particular, Caamaño was the candidate of the Obras party, which had passed Metropolitan Ordinance 002 under the leadership of Lima Mayor Alfonso Barrantes in the mid-1980s. As was the case in many other districts, previous administrations in La Victoria had only selectively implemented certain parts of Ordinance 002 since it was passed. Caamaño inherited a situation in which some base associations had negotiated individual agreements with the municipality to pay the *sisa*, while some of the federations refused to pay until the district implemented the FOMA.³ His affiliation with Obras and willingness to consider the comprehensive implementation of Ordinance 002 therefore signaled the possibility to move from street-level governance to sectoral governance at the beginning of his tenure.

² There was some retail space in the traditional galleries, but most retailing took place on the streets until the early 1990s. See Chi6n 2000: 166-168.

³ *La Voz del Ambulante*, no. 13 (August 1992): 6-7.

By August of his first year in office, Caamaño had signed an agreement with the three major street vending federations in the district – FEDITAV, CUTASPA, and FEBAINVIC – agreeing to establish the FOMA, in accordance with Ordinance 002. Mayoral decree 092-93, issued on September 10, 1993, officially authorized the establishment of the FOMA for the district of La Victoria, to be funded with revenues from the *sisa*.⁴ In line with the broad goals outlined in Ordinance 002, the objective of La Victoria's FOMA was to provide social assistance, channeled through the municipality via a governing board made up of city and vendor federation representatives, to street vendors in exchange for their payment of the *sisa*.

Representatives of the street vending federations and municipality who served as the first members of the newly constituted FOMA chose health care as their first priority area for delivering social services to street vendors. Using *sisa* revenues, the representatives rented a building on a street near central Gamarra and in it established a small-scale health clinic that was to provide basic medical services for vendors who paid the tribute. Other activities for the FOMA in 1994 and 1995 included assisting the municipality with trash collection, conducting a census of street vendors in the district, developing a new licensing program for vendors, establishing a legal consultancy, and running cleaning campaigns and social activities.

⁴ A previous mayoral decree from June 1993 indicates that a CTM in the district already existed. The latter decree, No. 023-93-ALC, identifies new members of the commission. However, the pact signed by MDLV and the vending federations on August 18 indicates that the CTM had not been meeting regularly, in that the pact calls for “the immediate re-initiation of meetings of the CTM in a serious and formal manner.” The pact also indicates that the municipality had been charging the *sisa*, but using a private firm to collect it from the vendors each day, a practice to which the vendors objected. Available records also indicate that the official authorization of street vending associations in the district had been regular practice at least since a 1986 city council agreement recognizing them.

The vending federations' willingness to conduct a census and develop a new licensing program reflects the incentives for pursuing formalization. In fact, vendors were willing to conduct the administrative work, such as building a database of individual vendors in the district and establishing rules for issuing and denying licenses, necessary to achieve that element of formalization. The census would also assist with the collection of the *sisa*, which in turn could be channeled into other activities that would help the vendors develop their businesses.

Energized by the municipality's long-awaited implementation of Ordinance 002, street vendors involved in the FOMA appeared to have established the basis for an enduring and cooperative relationship with the new mayor around the goal of establishing sectoral governance in the district. Pro-vendor newsletters and magazines praised Caamaño's willingness to create the FOMA and CTMCA, along with municipal ordinances and city council agreements announcing that there would be no massive expulsions of vendors in the district.⁵ However, the implementation of Ordinance 002 in La Victoria ultimately created more problems than it solved. Though vendors initially agreed to it, the collection of the *sisa* as a daily fee for the right to use public space for private commercial gain developed into a central component of the controversy.

The *sisa* generated a significant amount of income for the district government. A 1993 municipal record of income for the month of December, for example, shows that the *sisa* contributed over 38,000 *nuevos soles* to the municipal treasury that month

⁵ See, for example, *Testigo*, no. 114 (27 June 1994).

(about US\$18,000) – a considerable sum for a poorly funded district government.⁶

Control over the funds became hotly contested between the FOMA, the vending federations, and other parts of the municipal bureaucracy. The mayor's first approach to collecting the *sisa* was to authorize, through a mayoral resolution, the contracting of four private citizens to collect the daily fee from street vendors in authorized areas of the district. Each individual was to earn a commission of up to one percent of the amount of *sisa* revenue they collected from vendors each week.⁷ A subsequent mayoral resolution added 54 more collectors, and changed the commission to 20% of *sisa* funds collected each month or 15-day period.

Three months after authorizing these individuals as collectors, a new mayoral decree shifted responsibility for the administration of the *sisa* to the directors of the FOMA.⁸ The decree's language suggested that part of the mayor's motivation was to expand the opportunities for street vendors themselves to participate in the process, and a subsequent resolution indicated that the FOMA directors had demanded the ability to fire any collector who did not carry out his or her duties faithfully.⁹ Like the previous system, however, this one did not last long. Within four months, the city council called an ad-hoc meeting to discuss the behavior of the FOMA directors with regard to *sisa* collection. On August 9, 1994, the city council passed an accord stating that the FOMA directors had not delivered a single budgetary report to the

⁶ Municipal governments in Peru historically have had one of the weakest financial structures of any country in Latin America (Nickson 1995: 237-249).

⁷ The one woman among the collectors was given a commission 30% lower than the men's commission.

⁸ This may suggest that vendors complained about the control that individual collectors named by the municipality had over the funds that were supposed to be destined for the FOMA.

⁹ This language may imply that the original collectors hired by Caamaño were not delivering the full amount of the income they collected to the city coffers.

municipality, and as a consequence the officers of the municipal treasury had no way of overseeing the delivery of *sisa* funds. The council therefore approved another shift in responsibility for the administration of the *sisa*, this time from the FOMA directors to the municipal Accounts Receivable office. Another accord passed on the same day called for the creation of an Evaluation Commission to investigate the FOMA's management of *sisa* funds.

Notwithstanding the controversy surrounding the inadequate collection and management of the *sisa*, the future of the FOMA appeared to be safe in December 1994, a little over a year after it was created. Mayor Caamaño approved a set of new regulations for the FOMA in December, which not only authorized the FOMA's continued operation but also expanded some of its areas of responsibility. However, a mayoral decree issued on March 15, 1995 suspended the *sisa* temporarily on the basis that residents were complaining about overcrowding on sidewalks, and that the municipality had a responsibility to establish order and security in the district. Meanwhile, vendors were accusing the municipality of malfeasance. The country's leading newspaper, *El Comercio*, ran an article quoting a leader of one of the vending organizations that once the municipality took control over *sisa* collection, it had failed to transfer any resources collected through the *sisa* to the FOMA.¹⁰

The pressure that neighbors and residents began to exert on the mayor in late 1994 and early 1995 reflects a broader development in the district during those years. Street vendors had flocked to the area in the early 1990s, during Gamarra's boom

¹⁰ "Ambulantes consideran que pago de 'sisa' les da derecho a trabajar en la vía pública," *El Comercio* March 26, 1995.

years. While vendors had been in the district for more than a decade, they were not as densely concentrated in previous years, and as a result the public policy problems associated with large concentrations of vendors had not yet become acute. By 1994, that situation had begun to change. Vendors became tightly packed into the major thoroughfares of the garment district, and problems of congestion had begun to reach a critical point. This process of increasingly dense concentration began to trigger the development of more outspoken opponents of vendors in the district, which in turn increased the incentive for the government to selectively implement the parts of Ordinance 002 that focused on establishing order.

Subsequent policy measures called for the creation of a new commission to investigate the FOMA, and an external audit of the FOMA directors' use of *sis*a funds. The audit, conducted by a private firm later that year, revealed further discrepancies with the management of FOMA funds. In response, the district's Control Office established an investigative commission to evaluate the issue in greater depth, leading to a series of requests for documentation and an inventory of FOMA property. These disputes over the control of *sis*a collection were partially a reflection of the ease with which money contributed by the vendors could disappear without a proper paper trail. The absence of a proper paper trail was emblematic of the lack of administrative capacity among municipal governments that were faced with the task of collecting the daily tribute from vendors.

Meanwhile, another storm was brewing over street vendors' occupation of public space in Gamarra. In 1994, Caamaño had signed a controversial 30-year concession with a private construction firm, called Listos S.A., to build a new

commercial center on the site of Parque Cánepa, one of the few parks remaining in the district and the only green space in Gamarra. The company had signed agreements with 300 area merchants to rent spaces inside the new commercial center, at the cost of a \$2,000 up-front fee and \$200/month rent.¹¹ As part of the deal, the construction company guaranteed the tenants that the perimeter of Parque Cánepa would be free of street vendors.¹²

The deal thus created another enemy of street vendors in the form of future PYME owners who wanted the entry points to their new shopping center clear. Moreover, it did so without the participation of street vending associations that grouped together vendors that had occupied that site for several years. Caamaño's failure to incorporate vendors into the decision to build Parque Cánepa infuriated vendors, who in turn became more likely to oppose the mayor. The mayor's decision to only partially enforce Ordinance 002 by denying them participation signaled the beginning of a broader trend away from a comprehensive policy strategy and toward selective enforcement. The shift away from a comprehensive strategy, in turn, increased the likelihood for conflict and reduced the possibility for sectoral governance that had existed at the beginning of his tenure.

The inauguration of the new commercial center was scheduled for June 20, 1995. On May 22, Caamaño issued Mayoral Decree 046-95-LV ordering vendors off the streets that bordered Parque Cánepa. The vendors did not budge. They had been vending in that area for 15 years, they argued, and the decree violated their

¹¹ *Expreso* 12 December 1994: A28.

¹² *Guía de Gamarra*, no. 7 (July 1995): 7.

constitutional right to work, as well as Supreme Decree 005 of 1991, which in theory protected them against expulsions. The contradiction between Supreme Decree 005 and the mayor's selective enforcement of Ordinance 002 thus facilitated vendor intransigence, as they used the policy contradictions to justify their cause. Facing the threat of expulsion by force, at least 200 vendors affected by the decree began to sleep in the streets surrounding Parque Cánepa to protect their territory. In the early hours of June 22, two days after the scheduled inauguration of the new commercial center, an unidentified group of thugs attempted a surprise raid to violently clear the streets of vendors, but the vendors managed to fend them off.¹³

The vendors also used legal means in an attempt to defend their territory. FEBAINVIC, one of the vending federations whose bases were affected by Mayoral Decree 046, filed at least two legal motions with the courts. The first was a complaint regarding the physical attack on the morning of June 22, which caused injuries to several vendors. The second was a *recurso de amparo* contending that the municipality had violated the vendors' constitutional rights. The vendors argued that until the *recurso de amparo* had concluded, they had the right to maintain their position in the streets outside Parque Cánepa. FEBAINVIC also sent letters to the National Police requesting assistance in defending themselves against arbitrary attacks, and to Caamaño requesting a reconsideration of the decree. The latter request also invoked Peruvian citizens' constitutional right to work, as well as Supreme Decree 005 of 1991.

¹³ This is the episode described briefly at the beginning of Chapter One.

Meanwhile, the municipality issued citations to vendors who remained in the streets outside of Parque Cánepa. In a move that is indicative of the problems with policy ambiguity described in Chapter Three, the citations invoked Metropolitan Ordinance 002 of 1985 as the legal justification for prohibiting the vendors from occupying that space. Presumably, the municipality was referring to the parts of Ordinance 002 that charged municipal governments with the responsibility of identifying regulated areas where vendors were not allowed to work. Yet at the same time, the vendors could easily point out that the Ordinance also gave them the right to participate in the decision of who was permitted to vend in which space. The conflict between the two sides was thus left to be played out with physical force.

Caamaño's tenure as mayor in La Victoria ended in controversy. Vendors who had been paying the *sisa* were livid about the mismanagement of funds and blamed the municipality for "robbing" them of their contributions. The vendors who had been camping out in the streets around the Parque Cánepa site vowed to remain there until the end of Caamaño's term, angering tenants inside the new shopping center. Residents in the district were furious that one of their few parks had been concessioned to a private firm to construct the new shopping center. And Caamaño was accused of corruption from all sides. The newspaper *Expreso* reported in December 1995 that Caamaño and 33 other local officials had been charged with embezzlement, extortion, and abuse of authority.¹⁴

¹⁴ *Expreso* 10 December 1995: 6A.

From Comprehensive to Particularized Policy: 1995-1996

By the summer of 1995, investors in the new galleries that were springing up along Jirón Gamarra had begun a strong push for a new mayor with financial interests in the garment district. Gamarra's real estate moguls had begun to coalesce into a powerful group, and they wanted someone from within their own ranks who they could trust to deal with the street vendors and protect their investments in the zone. The loudest voice in Gamarra by then was the magazine *Revista Gamarra*, directed by Juan Infante, the sociologist from the Catholic University. Infante and his supporters had been using the magazine to promote the idea of having a candidate from the garment district for more than a year and a half before the fall 1995 municipal elections.¹⁵ The *Guía de Gamarra* ran stories with nearly identical headlines as those in *Revista Gamarra*, arguing that the entrepreneurs in the zone needed someone who would take a serious approach to governing the district's increasingly chaotic growth.¹⁶

The magazines found their ideal candidate in Juan Olazabal Segovia. Like the district's other "pioneers," Olazabal had started out as a street vendor in the garment district and eventually opened his own fabric store. By the time Gamarra's investors began to seek a candidate for the mayoralty in 1994 and 1995, Olazabal had been president of ACOTEX, the Association of Textile Merchants of Peru, and he had held a leadership position in a financial organization called FODIGA (Gamarra Funds and Investments), which sought to attract more investors to the area. Olazabal thus

¹⁵ *Revista Gamarra* v. 2, no. 22 (15 November 1995): 5.

¹⁶ See, for example, *Guía de Gamarra* no. 6 (June 1995): 4.

exemplified the virtues of being a self-made man from the garment district, and had achieved a political and financial status that made him a viable candidate. Power brokers in the district showed abundant enthusiasm for their new candidate.¹⁷

The *Revista Gamarra* took credit for Olazabal's impressive electoral victory over his closest competitor in the mayoral race of November 1995.¹⁸ According to the magazine's story on the victory, the year before the election its editors had arranged a meeting between Andrade, who was running for mayor of Lima, and Olazabal to discuss the latter's potential as a Somos Lima candidate in La Victoria. "The rest," the magazine trumpeted, "is known history. Juan Olazábal was elected as a candidate for the mayor of La Victoria by Somos Lima, [and] Gamarra had, for the first time in its history, a grassroots candidate for the municipal council, an entrepreneur who has made it on the basis of his own effort, like the rest of us." The magazine expressed abundant confidence in Olazábal's upcoming term of office.¹⁹

Olazábal took office on January 1, 1996 with the idea of engaging in talks with street vendors, while at the same time borrowing the Somos Lima rhetoric that emphasized the need to establish order, security, and cleanliness in the district.²⁰ In Olazábal's first few months in office, one of the vending federations began to agitate for the *sisa* to be collected by the vending organizations themselves,²¹ but Olazabal did not take definitive action while the investigations of the FOMA were still

¹⁷ According to Sulmont, his supporters included the Guizado brothers, along with the *Revista Gamarra* and other members of the power group.

¹⁸ Olazábal earned more than 53% of the vote, while his competitor earned just over 25%.

¹⁹ *Revista Gamarra* v. 2, no. 22 (15 November 1995): 5.

²⁰ Again, Andrade had run on a platform of cleaning up the street vending problem in Lima's Historic Center, and he initiated his own full scale campaign within his first month in office as Lima's mayor.

²¹ They did so through the newsletter Frente Moralizador Victoriano (March-April 1996), which was aligned with Vladimir La Madrid's organization, Tupac Amaru II.

underway. A short period of relative calm between vendors and the municipality took place in the first three months of his tenure.

That period of relative calm came to a halt on the night of April 22, 1996. At about 8:30pm on that night, Carlos Rosales Soto, a longtime street vendor in the area and the Secretary of Defense of Tupac Amaru II, was shot to death on his way to an emergency meeting that his federation was holding in a building adjacent to the garment district. Rosales was an immensely popular leader among street vendors in the zone. His death, which the vendors called an assassination, sent accusations flying among the various combatants in Gamarra. The thousands of street vendors who held a mass procession through the heart of the garment district after his death viewed him as a hero and martyr. They accused the power brokers in the district of commissioning his death, with the complicity of the municipal administration. The power brokers suggested that rivalries among the vending federations in the zone had led to the attack. No arrests were made in connection with Rosales' death.²²

Olazabal's relationship with vendors in the district subsequently deteriorated. First, a city council accord issued in early May (A.C. 029-96) called for new FOMA regulations, some of which the vendors found objectionable.²³ A second accord issued on May 20 called on the CTMCA to develop an entirely new set of regulations to govern street commerce in the district. These moves by the city council sent a somewhat threatening signal to vendors, for whom a 'reordering' project could mean

²² See *Frente Moralizador Victoriano* v. 1, no. 7 (May-June 1996); *El Ambulante* v. 1, no. 1 (August 1996); and Juan Infante, "No a la violencia en Gamarra," *Revista Gamarra* v. 3, no. 29 (May 1996): 10.

²³ The current FOMA regulations had been in place for less than two years.

the type of heavy-handed expulsion undertaken by Andrade in downtown Lima earlier that year.

Partially fulfilling that fear, the city council issued City Council Accord 048-96-ALC in late May calling for the “eradication” of the fixed posts that filled the streets of garment district. CUTASPA, one of the three principal vending federations, filed a *recurso de amparo* with the civil courts against the measure. Leaders from CUTASPA, FEDITAV, and FEBAINVIC organized a march for July 3 in protest of the new measure. According to one of the vendor newsletters, the protestors marched on the municipal government offices, where a representative of the mayor, along with three city council members, agreed to meet with them. That meeting produced an agreement signed by both sides to develop a new work plan for governing street commerce in the district. The newsletter reported that Olazábal’s policy was not to seek confrontation with the vendors, but rather to work with them toward a mutually acceptable solution. It also argued that the council members who had passed A.C. 048 “lacked knowledge of the [vendors’] rights acquired in Ordinance 002, and transgressed universal principles and constitutional law, such as the freedom to work, as well as Supreme Decree 005 of 1991 and Ministerial Resolution 022.”²⁴

Shortly thereafter, the mayor passed a new ordinance on August 22, 1996 that eliminated the *sisa* and created a new *tasa de derecho por ocupación de la vía pública* (valuation fee for the right to occupy public space), bringing that component of the municipal tax structure in line with the 1993 Law of Municipal Taxation. This was not the municipality’s first move to implement the 1993 tax law; the Olazábal

²⁴ *El Ambulante* v. 1, no. 1 (August 1996): 5.

administration had also eliminated a *tasa de funcionamiento*, which was a licensing fee for businesses, on May 14. One of the microenterprise organizations in the district, ACIS, had used the judicial system to have the fee declared illegal on the grounds that it contradicted the 1984 Law of Municipalities and the 1993 Law of Municipal Taxation. The municipality's elimination of the fee was apparently a response to that judicial declaration.²⁵

Nonetheless, the elimination of the *sisa* in favor of the new *tasa* sparked further controversy among the vending federations. The authorities were charging the new fee while at the same time rumors about an impending expulsion based on City Council Accord 048 were swirling. Vendors' newsletters viewed the payment of the fee and the threat of expulsion as inherently contradictory measures, since the fee was explicitly in exchange for the right to work in public space. The vendors contended that

Metropolitan Ordinance 002 clearly states that each district should elaborate regulations for the operation of fixed posts in public space. The authorities recently approved a city council measure in which legal guarantees, such as Supreme Decrees, Ministerial resolutions, and Municipal Ordinances are outlined. We do not understand how they can then attempt to expel us; it indicates that they are unaware of all of the legal precedents that they themselves took into account when they approved the measure. We do not know whether to cry or laugh about the authorities that the people elected.

The newsletter also reported that 2,000 vendors were sleeping in the streets overnight at the time to protect their territory against expulsions.²⁶

²⁵ ACIS released a communiqué in May 1996 describing its victory over the fee.

²⁶ *El Ambulante* v. 1, no. 2 (November 1996): 3.

Olazábal's relationship with the group that had brought him to power, meanwhile, began to deteriorate as well. The *Revista Gamarra*, which had worked so diligently for his election, began to lose patience with his indecision on the expulsion of fixed posts from the heart of Gamarra. In an article entitled "Unfulfilled Promises," the editors complained that "Olazábal and his team of city council members announced with great fanfare that it would eradicate fixed posts in Gamarra. All deadlines have passed and he has not undertaken a single measure. Truth is, we do not understand why this happened. The worst of it is that the population has already lost confidence in the ability of the mayor to make the principle of authority respected."²⁷

The mayor also caused some surprise that summer by renouncing his political affiliation with Somos Lima and switching his allegiance to Fujimori's party, Cambio 90-Nueva Mayoría (C90-NM), just seven months after winning office as a Somos Lima candidate.²⁸ The vendors viewed his change in political affiliation as a positive sign, in that Fujimori had issued Supreme Decree 005 of 1991 while Andrade, the most prominent spokesperson of Somos Lima, had used a heavy hand against vendors in the Historic Center. The editors of *Revista Gamarra* printed a tepid response, along with a copy of Olazábal's letter renouncing his affiliation to Andrade. The letter stated that Olazábal thought the support of the central government was crucial to his

²⁷ *Revista Gamarra* v. 3, no. 33 (August 1996): 4. The same issue ran another story that counted 189 fixed posts on Jirón Gamarra alone, and measured the amount of space they took up on the street to show how little room was left for pedestrians who might enter the commercial galleries.

²⁸ According to the August edition of the *Revista Gamarra*, Olazábal made the announcement on July 17, 1996.

administration's success in combating the problems of La Victoria, and that Andrade's approach differed substantially from that of the central government.²⁹

By the end of 1996, Olazábal had begun to make enemies of both the power brokers in the district and the street vendors. The investors responded to his inaction by forming a new organization, the Patronato de Gamarra, to bypass the municipal administration and initiate independent projects to deal with the vendors. Meanwhile, the city council passed a measure at the end of 1996 to disband the FOMA once and for all. Naturally, this infuriated the vending federations that had been involved in its operation. In that context, Olazábal faced the difficult task of engineering a resolution to the district's problems with little support from anyone in his remaining two years of office.

From Vendor Unity to Internal Conflict: 1997-1998

The prospect of a stable resolution to the conflict in Gamarra became increasingly distant during the second year of the Olazábal administration. Two of the federations, CUTASPA and FEBAINVIC, had delivered a petition to the mayor stating that the city's dissolution of the FOMA at the end of 1996 was illegal, as the FOMA was inscribed in the Public Register as a legal organization and therefore could only be dissolved according to procedures described in its own statutes, and not by an external entity. The petition also complained about the municipality's decision to continue charging vendors the *tasa* that had replaced the *sisa*. Once the FOMA had

²⁹ Andrade had begun to develop as Fujimori's primary political rival during his first year or two in office.

been dissolved, the city continued to collect the daily tribute from the vendors, but it kept 100% of the funds, violating Ordinance 002 of 1985 and the 1993 Law of Municipal Taxation.³⁰

A third federation, Tupac Amaru II, radicalized its stance toward the municipality. In doing so, the organization's leaders seemed to initiate a campaign to "speak for" the entire sector of street vendors in Gamarra. Newsletters affiliated with Tupac Amaru II portrayed its leader, Vladimir La Madrid, as a heroic captain of vendors' eternal struggle against marginalization. A press note of 1997 issued by Tupac Amaru II on behalf of the 10,000 street vendors in the district accused the Guizado brothers, Olazabal, and the *Revista Gamarra* of 'satanizing' vendors. A newsletter affiliated with the organization boldly claimed in May 1997 that "Tupac Amaru II and 20,000 street vendors stand ready to die for their children's meals."³¹ Another newsletter, circulated in July 1997, announced that Tupac Amaru II's 10,000 vendors were ready to "follow the example of their martyr, Carlos Rosales Soto, and defend their work to the death."³²

The other three vending federations in Gamarra – CUTASPA, FEDITAV, and FEBAINVIC – issued a communiqué on October 14, 1997 in response to Tupac Amaru II's agitation. The communiqué stated that they rejected Vladimir La Madrid as a self-appointed spokesperson on behalf of the entire sector, and that they wished to work with the municipality to develop a workable plan for relocating their posts and reordering street commerce in the district. The statement also denounced La Madrid

³⁰ *El Ambulante* v. 1, no. 3 (February 1997): 3.

³¹ *Municipio* v. 2, May 1997 issue.

³² *Noticias* v. 1, no. 2 (July 1997): 1.

for requesting donations for his own campaign to defend the sector, as well as his efforts to promote a political candidate, Dr. Edmundo Inga Garay of the Peru Puma party, who apparently had presidential aspirations.

The bickering among leaders of the vending federations may have helped to provide Olazábal with a fresh incentive to revisit the question of expelling vendors from Jirón Gamarra, as the power brokers had continued to demand. On June 23 of 1997, the city council had passed an accord resolving to follow up on City Council Accord 048 of 1996 to reorder vendors in the district. Olazábal then issued a mayoral decree on October 2, 1997 (D.A. 004-97-ALC) declaring the beginning of a new project to impose order on Jirón Gamarra. The new project once again entailed the “immediate eradication” of fixed posts on Jirón Gamarra, and called on the relevant municipal offices to give the project top priority. FEBAINVIC immediately fired back with a public statement charging that the municipality failed to understand that the proliferation of street vendors was a social problem, rather than a legal problem that could be made to go away simply by declaring it illegal. FEBAINVIC followed up with another public statement in December 1997 condemning the administration for passing City Council Accord 039-97, the precursor to D.A. 004-97, which overrode the compromise policy that the city and the vendors had reached and concretized in Ordinance 003 of 1996. After the new year, FEDITAV also began to harass the municipality on the issue of collecting the *tasa* without providing any service in return, as required by the 1993 Law of Municipal Taxation.

By the third year of his term, both street vendors and power brokers had written Olazabal off as a reliable negotiation partner. Vendors remained in the streets

throughout the district, and the power brokers continued their crusade to get rid of the vendors. Meanwhile, the Metropolitan Lima administration reported that Olazabal had left the La Victoria municipality in a state of total collapse, with a debt of 130 million *nuevos soles* for the new administration to pay off.³³ As the new round of municipal elections scheduled for November 1998 approached, the attention of both groups turned to the candidates who had begun to jockey for position in the district. As in the 1995 election, the power brokers sought an ally who had roots in the garment district, and they found one in Andrade's first cousin, Jorge Bonifaz Carmona.

Like Olazábal, Bonifaz was a businessman with ties to the garment district. Though he had not held the sort of leadership positions in Gamarra's productive and financial organizations that his predecessor had, Bonifaz had deeper ties to Andrade's party, which appealed to the garment district's power brokers after the Olazábal debacle.³⁴ Andrade's removal of vendors from the Historic Center had earned him strong support in public opinion polls, and by the time of the fall 1998 campaign his party had developed an image of taking a strong stand on the street vendor issue as part of its platform. Bonifaz, meanwhile, had accompanied Andrade as a city council member in Miraflores during the 1993-1995 term (when Andrade was mayor of that district), and again as a city council member for Metropolitan Lima (during Andrade's first term as Lima mayor).

Bonifaz thus offered Gamarra's power brokers the image of a candidate who would follow Andrade's lead in the Historic Center and rid Jirón Gamarra of street

³³ *Lima Renace* v. 2, no. 14 (September 1997): 4.

³⁴ Somos Lima changed its name to Somos Perú for the 1998 elections.

vendors once and for all. The rhetoric that Bonifaz used during the campaign echoed that which Andrade had used in 1995 to demonstrate the party's resolve and willingness to use a heavy hand to solve the complicated street vending problem. For example, in a September 1998 *Somos Perú* flier for La Victoria, Bonifaz stated that

Our beloved Gamarra, without losing its identity, will enter into a new stage of modernity. Security, order, and cleanliness. This is how we will see the new Gamarra because we must promote its commercial attractiveness. Only in this way will La Victoria progress.³⁵

His campaign rhetoric also promised the “recovery of authority” in the district, which appealed to middle-class residents who had suffered through the chaotic and corrupt administrations of Caamaño and Olazabal. After winning the election by a substantial margin, Bonifaz issued a promise to clean up the district within 60 days of taking office.³⁶

From Conflict to Street-Level Governance: 1999-2002

To advance the agenda of recuperating the streets of Gamarra, the power brokers had formed a new group, called the *Coordinadora de Empresarios de Gamarra* (CEG), in the fall of 1998. The formation of this group developed out of a march organized in September 1998 against the importation of used clothing, which was threatening the economic viability of the garment district.³⁷ Juan Infante led the CEG in an early campaign to make sure the mayor-elect followed through swiftly on the street vending issue. In fact, according to Sulmont (1999), the new administration's

³⁵ *El Victoriano* v. 1, no. 2 (13-19 September 1998): 2.

³⁶ *Polémica Municipal*, no. 25 (1-15 December 1998): 11.

³⁷ Sulmont 1999: 46.

original plan was to begin by expelling vendors on Avenida Aviación and the streets bordering the wholesale markets, but because of pressure from the CEG it decided to start with an expulsion on Jirón Gamarra instead. This illustrates the extent to which the balance of power in the district had shifted away from street vendors and toward the power brokers: in 1993 Gamarra's vending federations were strong, organized, and united, while the investors were just beginning to build their galleries; and by the time Bonifaz had been elected in 1998, vending federations were bitterly divided, and the power brokers had coalesced into a single, well-organized pressure group.

On January 28, 1999, less than a month after Bonifaz had taken office, the new mayor issued Ordinance 015 calling for the formalization of street vending in the district. Although similar measures had been passed in 1994, 1996, and 1997, Ordinance 015 carried additional weight because of the rhetoric surrounding the mayoral campaign a few months before. The ordinance put a new office, the Department of Commercialization and the Promotion of Economic Development, in charge of carrying out the formalization plans. Some of the same officials that had carried out the expulsion in the Historic Center for Andrade in 1996 were appointed to run the new office in La Victoria. The new ordinance negated all previous authorizations for the use of public space in the district, as well as all existing regulations that contradicted it.³⁸

On February 18, about 300 Peruvian National Police arrived on Jirón Gamarra to help the municipality "eradicate" the 3,000 vendors who remained on the garment district's central thoroughfare. The ensuing conflict between the police and the

³⁸ *El Peruano*, 3 February 1999.

vendors was described in the media as a *batalla campal*, a pitched battle between the two sides characterized by the unrestrained use of violence. While the police resorted to tear gas and physical force to clear the streets on behalf of the municipality, the vendors fought back by setting government vehicles on fire, smashing windows of the formal galleries with stones, and resisting the physical attacks from the police. Yet hours after the battle ended, the vendors had regained their position in the streets.

A second battle, this one political, ensued after the unsuccessful attempt to eradicate the vendors on February 18. Bonifaz and Gamarra's power brokers attributed the failure of the expulsion to the police's unwillingness to remain on the scene and keep the vendors from returning. In response Bonifaz launched a public campaign to pressure the Fujimori administration into dedicating a sufficient contingent of the Peruvian National Police to follow through on the job. In a press conference a few days after the failed expulsion, he called on the PNP chief responsible for the region to intervene "as soon as possible, with the goal of permitting the 14,000 formal entrepreneurs in Gamarra to work without the fear of being victims of vandalism and pillage." Infante estimated that the formal entrepreneurs were losing about a million dollars a day while the stores remained closed because of the conflict.³⁹ The vendors on Jirón Gamarra, meanwhile, had armed themselves with knives that they carried around in their pockets, and had buried sticks and stones in the ground to mobilize for the next attack.⁴⁰

³⁹ *Ojo* 24 February 1999: 6.

⁴⁰ "Gamarra, al Otro Lado de la Candela," *Caretas* 1557 (4 March 1999).

The formal entrepreneurs did their own part to pressure the central government into backing their cause. On February 23, they organized a march on Congress to demand that the central government involve the Armed Forces in the matter. The national police, argued the entrepreneurs, were too passive and could not be trusted to get rid of the vendors definitively. They also submitted a petition to the Congress arguing that they needed military intervention to protect their property and the well-being of the entrepreneurs, workers, and clients of Gamarra. The petition further demanded tax breaks because of the losses that Gamarra's businesses were sustaining during the conflict.⁴¹

The initial response from the Minister of the Interior was to take the side of the street vendors, most likely in a move by the Fujimori administration to aggravate the cousin of his primary political rival, Andrade. The minister said that the vendors' human rights had to be taken into consideration, and pointed out the threat of a social crisis if they were to be left without any type of viable employment. He further stated that before expelling the vendors, the mayor should undertake a study on where to relocate them, so that their households would not lose the income from vending on which they depended. At the same time, the minister said that the national police were in "constant communication" with Bonifaz to work out a solution.⁴²

The responses of the various street vending federations to the attempted expulsion of February 18 varied. FEBAINVIC followed its previous strategy of filing another *acción de amparo* with the court system against the municipality for violating

⁴¹ *Ojo* 24 February 1999: 6.

⁴² "Ministro del Interior aboga por comerciantes informales de Gamarra," *La República* 9 March 1999: 3.

its members' constitutional right to work. The federation also embarked on a campaign to generate support from the central government. On March 5, FEBAINVIC's leaders delivered a petition to the presidential palace arguing that the February 18 expulsion violated Metropolitan Ordinance 002, Supreme Decree 005-91, Ministerial Resolution 022-91, and the Constitution. The petition went on to inform the president of the *acción de amparo* and call for central government intervention on behalf of one of the vending organizations in the district that had initiated a hunger strike because of the attempted expulsion. The letter was signed by leaders of some of the other moderate vending organizations in Gamarra.⁴³ One of its allies, the Central Coordinator of Vendors' Associations in Gamarra (CCAACG), sent another petition to the president of the Infrastructure and Transport Commission of the Congress stating that they genuinely wanted to formalize, but they lacked sufficient political support to find viable formalization alternatives.

Other federations took a more radical stance. FEDITAV issued a public letter to Bonifaz accusing him of all manner of abuses, including conducting the expulsion for political reasons in conjunction with the upcoming congressional election, in which his sister was running for office. Vladimir La Madrid held a press conference in which he announced that the members of his organization would remain in the streets until December of 1999, when their own project to develop a formal gallery

⁴³ FEBAINVIC also sent a letter on March 12 to Luz Salgado Rublanes, one of its contacts in Congress, informing her of the *acción de amparo* and requesting a meeting with her.

would be complete. He also argued that neither the national police nor the municipal security force, called the *serenazgo*, had the authority to expel the vendors.⁴⁴

Meanwhile, divisions were also developing between the small and microenterprise organizations and the CEG. Through the publication of the *Revista Gamarra* and the formation of the Patronato de Gamarra and the CEG, Juan Infante had made himself into the dominant voice of Gamarra, and often used that position to claim to “speak for” the entire conglomerate. The leaders of the PMYE organizations who rented space in the galleries, and who often maintained close ties to the street vendors, resented Infante’s claim to represent them and the secondary status that they acquired as a result. To correct any perception that they supported Infante, the leaders of APIC, APEGA, APICME, and dozens of other PYME organizations issued a public statement denouncing Infante. The combative language of the letter is illustrative of the resentment they felt toward the district’s power brokers:

We do not accept that Juan Infante has usurped the textile producers’ representation, without even being a part of the sector. We condemn this act because it demonstrates a lack of respect of the honest producers of Gamarra and Peru.

The producers do not want Juan Infante to represent us, because he is using our sector for his personal interests and those of his group. He is taking authority that the small and microenterprises have not given him...[Infante and Fernando Villarán] present themselves to international entities, government agencies, the press and public opinion as if they were helping the sector; but we have not received anything from these gentlemen; the publicity they sell us always costs us in U.S. dollars, and their magazine, whose cost is 5 soles, is sold using the name of Gamarra; but as we know, it is a private enterprise whose goal is to make money like any other enterprise. We do not want Infante nor his magazine to make a profit off of the economic desperation of the microenterprises. The moment has arrived to say “enough!” to the imposters of Juan Infante and his false Coordinator...

⁴⁴ “Ambulantes dicen que se quedan hasta Navidad en Jirón Gamarra,” *Ojo* 25 February 1999: 8.

Mr. Infante represents a miniscule group of merchants with economic power, power that is not always right. We do not feel represented by Juan Infante.⁴⁵

The efforts of the vendors to delay further expulsions, and the efforts of the PYMES to distance themselves from the CEG, did not prevent further action on the part of the power brokers. The CEG finally brokered a deal with the central government to undertake a definitive expulsion, backed by force, on March 15, 1999. On that day, approximately 1,500 police arrived on Jirón Gamarra to eradicate the 3,000 vendors who remained on the street. The operation employed 600 municipal officers, 150 tear gas bombs, five anti-riot vehicles, a dozen dumpsters, five garbage trucks, and 300 cleaning personnel, according to one source. The authorities followed up the expulsion of Jirón Gamarra with a second expulsion of vendors from the median of Avenida Aviación, just outside the wholesale markets.

The vending federations continued to denounce the new mayor after the expulsion of March 15, but instead of gaining strength, their affiliated bases began to splinter off in search of new alternatives. Two of the base associations that had been on Jirón Gamarra managed to get access to off-street space in *campos feriales*. Others moved into space on neighboring streets, such as Jirón América, just a few blocks away. Leaders of the federations made calls for unity and continued resistance against the new administration, but those appeals were unsuccessful. Some bases intentionally distanced themselves from the more radical federations, while others reconstituted themselves under different names in other parts of Gamarra. Others

⁴⁵ *Gamanews*, a rival magazine, had also published a statement rejecting Juan Infante as the self-appointed leader of the garment district.

attempted to identify off-street spaces to which they could relocate in the buildings close to the garment district. On July 1, 1999, a remodeled Jirón Gamarra, surrounded by iron bars to keep vendors from entering easily, was inaugurated with great fanfare by the power brokers and their supporters.

Over the next two years, the administration engaged in two additional strategies to deal with the street vending problem on streets other than Jirón Gamarra. First, it attempted additional projects to regulate vending on the streets surrounding the wholesale markets, called the Damero de La Parada. These efforts were not successful in “eradicating” vendors from the streets, but they did result in additional income for the municipality through the administration of the *tasa*. Members of the *seranazgo* collected the fee on behalf of the authorities. No service was delivered in return. Leaders of the vending federations, which had essentially dissolved by 2001, continued to issue pronouncements against the *tasa* on the grounds that it violated the 1993 Law of Municipal taxation – a contention that INDECOPI had confirmed back in 1996 – but the administration went on charging it in any case.

Second, the municipality and some of the individual base organizations began to strike separate deals to let them remain in certain spaces outside of Jirón Gamarra. These individualized authorizations, along with the charging of the *tasa*, allowed the vendors to gradually reclaim some of the territory they had lost in 1999 on the streets surrounding Jirón Gamarra. But they also had the effect of dividing the street vending sector even further. The soda and candy vendors’ association, ACAGOVIC, along with organizations of herbal tea vendors, orange juice vendors, fruit vendors, and fried yucca vendors, all benefited from individualized deals with Bonifaz. The official

newsletter of Somos Peru, *Lima Te Quiero*, featured these vendors as emblems of what the street vending sector could become: neat, orderly, and authorized in small and isolated doses.

However, by the end of Bonifaz's administration in 2002, many of the problems associated with street vending had either reappeared, or had never gone away. Jirón Gamarra, the main thoroughfare of the garment district, remained free of fixed posts, but owners or renters of shops inside the galleries began the practice of sending their teenage children out to the boulevard to hawk the stores' merchandise and get customers to come inside the galleries. Aviación remained intransitable, as informal merchants and buses clogged the streets surrounding the wholesale markets. The district remained one of, if not the, most dangerous in Lima. By 2002, getting to and from Gamarra was no safer than it had been in 1998. A new cycle of threats – from the authorities, to conduct further expulsions, and from the vendors, to reinvigorate their efforts to resist – had begun by the end of Bonifaz's term in 2002.

The Challenge of Sectoral Governance

The failure of three consecutive administrations to establish a stable governance regime for street vendors in Gamarra vividly illustrates the challenges to sectoral governance described in earlier chapters. As the garment district grew in the early 1990s, the increasingly dense concentration of street vendors there generated a set of urgent public policy problems that demanded government attention. A pro-vendor mayor attempted to implement Ordinance 002 with the support of unified street vending federations, but the administration's low administrative capacity and the

conflicting incentives for formalization hampered the effective enforcement of the ordinance. As the balance of power in the district shifted away from street vendors and toward a powerful group of investors who opposed street markets, vending federations began to splinter over disagreements about strategy in the face of increasingly urgent threats to their survival. By the end of the decade, both vendors and local officials had abandoned the idea of sectoral governance and instead settled for negotiating street-by-street accords.

Chapter Seven. Conclusion

This dissertation has argued that policy incoherence at the national and metropolitan levels, as well as political conditions at the local level, have combined to produce a cycle of persistent and intractable conflict in Lima's street vending sector. Street vendors with fixed posts are not necessarily "informal" workers. Rather, their presence on crowded city streets produces a set of policy problems that attract state intervention, so that vendors are engaged in a constant process of negotiating the terms of their formality with the state. That negotiation process, which is rooted in conflicting incentives for and against formalization for both sides, rarely produces stable and enduring agreements that would allow for the sectoral governance of street commerce.

The body of policy that has developed at the national and metropolitan levels to govern street commerce is incoherent in two ways. Most fundamentally, key policies use inconsistent labels and overlapping definitions to refer to essentially the same group of workers: those who, in one way or another, sell merchandise directly to consumers on a small scale. Without distinguishing clearly between workers who sell merchandise in public spaces and those who sell from private, off-street commercial spaces, these policies create conflict when local governments attempt to implement them on the ground.

Policies generated since 1980 are also rooted in conflicting ideological principles that further constrain local governments' ability to develop stable governance regimes. In the 1980s and early 1990s, prevailing ideology viewed street

vendors as inevitable victims of the country's perpetual economic stagnation. This sympathetic understanding of street vendors allowed for the development of pro-vendor policies that recognized vendors' right to work in the streets and encouraged the participation of vending organizations in the local policy-making process. In the mid- to late-1990s, by contrast, neoliberalism had replaced this tolerance for street traders with a view of vendors as nascent entrepreneurs who need only respond to the proper incentive structures in order to get off the streets. This shift in ideology pushed street commerce off the national political agenda as a problem in its own right. It also produced a series of national-level policies that fundamentally contradicted those issued in the 1980s. To this day, legal battles over these policy contradictions are being played out by street vending organizations and local governments.

These elements of policy incoherence at the national and metropolitan level constrain the ability of local politicians to govern street commerce effectively. Without a clear legal and administrative framework, local politicians are left to selectively apply only those elements of national and metropolitan-level policy that serve their particular needs. Moreover, because of the conflicting incentives for local officials to implement formalization measures, policy tends to oscillate dramatically at the local level. This policy oscillation, in turn, fuels opposition among vending organizations, feeding into the cycle of conflict that characterizes many local jurisdictions.

Street vending organizations, for their part, also play a critical role in the evolution of local-level policies toward street commerce. At the base level, these organizations typically form on the basis of social networks developed either on the

streets as part of the occupation process, or on the basis of personal or family ties. Base associations of street vendors have proliferated in Lima since 1950, and their vast numbers and organizational capacity at the local level give them substantial disruptive power. When vendors are united behind the implementation of formalization measures, they can play a critical role in those measures' enforcement. Leaders of vending organizations help enforce policies by gearing organizational activity around compliance; likewise, if leaders oppose formalization measures, they can encourage members not to comply. Without the acquiescence of vending organizations, local officials can have tremendous difficulty in enforcing formalization measures adequately.

Vending organizations form a crucial part of the balance of power in local political arenas. When they are relatively strong and united behind a formalization regime, sectoral governance of street commerce becomes possible. However, local officials must also support that formalization regime; if instead they choose a strategy of partial or selective enforcement, they are likely to generate substantial opposition among vending organizations. When vending organizations are weak, or when they bicker over strategy amongst themselves, conflict and street-level governance become more likely outcomes. Thus, it is only with the support of both local officials and vending organizations that stable, comprehensive, sectoral governance becomes likely.

Theoretical Implications

The perspective developed in this dissertation challenges conventional approaches to studies of informality in two important ways. First, it is grounded in an

analysis of the *political* conditions, rather than economic or social conditions, that define informality. Economists and sociologists have been producing studies of the informal sector for more than three decades, but those studies infrequently taken into account the political roots of regulation. Political scientists, on the other hand, have favored a focus on elites and formal institutions. Those who have studied politics among populations that are in one way or another informal have focused on informal housing and squatter settlements, or informal political practices (Collier 1976; Stokes 1995; Dietz 1998; Singerman 1996). But political science has neglected the study informal *workers* almost entirely. Thus, though the International Labor Organization estimates that between 40 and 60 percent of the workforce in Latin America, Africa, and Asia is informal,¹ labor studies within the discipline of political science have remained focused on unions and the formal wage-earning labor force. This neglect of informal workers on the part of political scientists, as well as a certain neglect of the political aspects of informality on the part of economists and sociologists, has produced a substantial research gap that scholars are only beginning to fill.

By investigating political factors that influence the behavior of a specific subset of workers commonly presumed to be informal, this research project offers significant insight into the so-called “informal sector debate.” Most centrally, it shows why the traditional conceptualization of informality as a dichotomous concept – formal workers are regulated, while informal workers escape regulation – is problematic in the case of street vendors. The unique problems created by fixed-post

¹ Vincent Palmade and Richard Stern of the World Bank estimate that 70 percent of workers in the developing world are informal. See <http://rru.worldbank.org/Discussions/Topics/Topic64.aspx> (last accessed July 5, 2005).

vendors in densely concentrated areas trigger a continuous process of negotiation over formality, and that process often involves street vendors on one side and state officials on the other side who each pursue conflicting and *partial* formalization measures. In this context, formality is in fact a contested state, rather than a static one.

Indeed, rather than taking the existence of regulations for granted, this research project demonstrates the importance of identifying their sources. Regulations do not come out of nowhere; they are made by politicians and bureaucrats, often in response to external pressures from political parties, interest groups, and the very workers at whom regulations are directed. Thus, ideology, partisan rivalries, electoral politics, and political coalitions all affect struggles over partial formalization in specific spatial and temporal contexts.

Second, the research presented here provides new insights into a newly emerging system of political representation that has come to characterize countries throughout Latin America. Democratization and marketization in the region have greatly reduced the traditional role played by labor unions and labor-based parties in popular representation. Though it is unclear whether a new system of representation is emerging, it is clear that societal associations have come to play a more fundamental role in politics than they did in previous decades. Within that context, street vending associations represent a potential channel for aggregating upward the interests of a vast and growing segment of the urban workforce.

In relation to other Latin American countries, Peru is a clear case of institutional collapse; unions and political parties there no longer play a fundamental role in the upward aggregation of interests. The industrial workforce, never

particularly large in Peru to begin with, no longer occupies the politically privileged position it once did in the region. Unions, consequently, have suffered a severe decline in membership. Political parties have been transformed into “electoral movements” that organize around individual candidates and elections, and oftentimes dissolve shortly after, only to be reconstituted in a slightly different form in the next election. In this context, the popular sectors lack the traditional channels through which their interests were once represented.

In the place of the traditional system of interest intermediation is emerging what Collier (2005) calls an “associational interest regime.” This interest regime is constituted by a vast and rapidly proliferating number of societal organizations, including community organizations, NGOs, social movement organizations, and advocacy groups. A major difference between these groups, which form the basis of the new “associational interest regime,” and unions which, along with union-affiliated parties formed the “hub” of the old interest regime, is the inclusiveness of the former. Thus, while street vendors and other segments of the popular sectors were peripheral in the interest regime based on the union-party hub, their associations form the key components of the new regime.

Collier identifies three sets of variables that affect the different logics of collective action among unions and popular associations. The first is the nature of resources that unions and organizations command. Unions have formal members and often require dues, which hinders association formation but facilitates activities related to scaling. The converse is true of associations; they tend to have informal membership requirements and no formal dues requirement, which means association

formation is easy but scaling is hard. Second, the degree of cohesion across unions and associations can affect both formation and scaling. Unions are more likely to have shared interests and their members a shared identity, while shared interest and identity is more rare across associations. These dimensions of cohesion facilitate scaling among unions and debilitate scaling among associations. Finally, the nature of demands influences logics of collective action. When demands are not disaggregable (in the sense that they can be satisfied in the case of individual associations while others are excluded), scaling is easier. Unions, for example, prefer to bargain above the plant level and make macroeconomic and macropolitical demands that are not disaggregable. Conversely, popular associations tend to have disaggregable, distributive demands; hence, the incentives for scaling are lower.

The analysis of street vending associations in this dissertation offers a window into the functioning of the newly emerging associational interest regime for one interesting, and perhaps unique, kind of association. While most associations in the new regime are not linked to relations of production (in contrast to unions), street vending organizations represent an unusual case. They are at once both productionist associations and popular, inclusive, grassroots organizations. Lima's street vending organizations also possess a number of key characteristics of associations that distinguish them from unions in terms of their logics of collective action, as Collier (2005: 11) defines them.

Like other types of associations, street vending organizations differ from unions in that they are relatively easy to form, but relatively hard to "scale." In particular, the street vending organizations studied for this project have informal

membership requirements and are self-funded. Some exceptions do exist in the case of informal membership; for example, one base association in Gamarra requires prospective members to find a sponsor within the organization, sign a two-year commitment to belong, and pay regular dues. Nonetheless, the vast majority of vending associations have no such requirements. Indeed, very few even keep updated member registries, and only some even hold regular meetings. This informal approach to membership creates ease of entry and ease of exit, which in turn facilitate the formation of associations. At the same time, ease of entry and exit make it difficult to scale over the long term, as leaders may face constantly changing membership bases, which in turn hinders coordination.

Street vending organizations are also like other popular associations in that they tend to be unfunded, or they generate their own funding without relying on dues. Requirements to pay membership dues are rare, and leaders often fund association activities by taking up a last-minute collection in which members pay what they can. Alternatively, vending organizations may hold the same type of fund-raising activities as neighborhood associations; one common example in Peru is a *pollada*, an event in which the organization barbecues chicken and sells it to raise profits for a particular activity. The lack of funding requirements and lack of defined contributions on the part of members also facilitates organizational formation, both for street vending organizations and other types of popular associations; without onerous membership requirements or regular dues, individuals perceive few costs of joining.

The lack of funding, however, clearly hinders scaling among popular associations. In the case of street vending organizations, the lack of a material base

means that they typically have no office, no telephone, and no access to organizational resources. Communication among members comes in the form of personal conversations; for example, leaders who wish to call a meeting simply ask members to spread the word (*pasar la voz*) about the time, date and place to others. This informal manner of operating vending organizations can impede scaling and long-term planning on the part of their leaders.

At the same time, street vending organizations exhibit some interesting variations from the general logic of collective action that characterizes other types of popular associations. Two points will be highlighted here. First, street vending associations share a single, overriding interest in job security, and that shared interest can help associations overcome the obstacles to scaling. Second, although their demand for job security is fundamentally disaggregable in the sense that governments can award it to some associations and not others, achieving job security for all vendors in a given jurisdiction – that is, achieving job security at the aggregate level – is a better strategy. Again, this facilitates scaling among vending associations.

The prevailing logic of collective action across most types of popular associations is that a lack of shared interests hinders their efforts to scale. These associations pursue a vast array of issues and goals, and the heterogeneity in interests can provide little incentive for associations to pool their resources and coordinate their strategies in pursuit of a common objective. However, within the universe of popular associations, those that face strong incentives to pursue a single, shared goal can overcome this obstacle to scaling. This is particularly the case with street vending associations.

Regardless of where they work, what product they sell, or how successful they are, vendors share one single, fundamental common interest that does not vary across associations. That interest is in securing their space in the streets. Ultimately, all street vending organizations are committed to that goal, even if in the long term they hope to acquire off-street commercial space. That common interest can facilitate scaling, particularly when the prospects for achieving security of workspace appear good (see Chapter Five). To some extent, the common interest in securing a workspace can also help mitigate the ease of exit that results from informal membership requirements.

Vending associations thus do not split over a lack of common interests, but rather over disagreements about how to pursue them. Disagreements over strategy often result from different philosophies among leaders. Typically, some leaders will choose to pursue a strategy of radicalization, while others prefer to take a more moderate course of action.

These disagreements can be particularly damaging to the prospects for scaling because of the general absence of compliance with internal rules and regulations within organizations and federations. For example, while most associations have a constitution specifying how frequently meetings should be held, what percentage of the membership constitutes a quorum, how decisions should be made, and when and how leadership elections should take place, few associations actually follow these rules. The result is that members who disagree with their leaders' chosen strategy often lack institutionalized procedures through which to express their disagreement. The same lack of institutionalized governance procedures characterizes federations.

Without “voice” as an option for expressing disagreement within an organization or federation, exit becomes an easy and attractive option. This dynamic is vividly illustrated by the experience of Gamarra’s three vending federations (Chapter Six), which split and eventually dissolved over disagreements about strategy, even though they shared a common interest in keeping their space in the streets secure.

The nature of policy demands among street vending organizations also demonstrates a slightly different logic than that of popular associations. As Collier explains, a government response to many types of associational demands can be targeted to one association and withheld from another; thus, a neighborhood association may push for a new street, a soup kitchen may demand additional funds, or a community organization may push for an infrastructure upgrade. In that sense, these demands are disaggregable, or divisible among associations. This disaggregability hinders scaling in that once a demand is fulfilled for one association, that association may cease its activity and lose interest in coordinating with others.

Job security for street vendors also is fundamentally disaggregable, in the sense that individual vending associations can secure agreements with the authorities to protect their own occupation of a single street or block. At the same time, though, vending organizations would all be better off with a stable, secure governing regime that applies to all vendors throughout a single jurisdiction. Individual agreements can provide short-term stability, but they ultimately rest on personal relationships between vending leaders and policy makers, and they can be unilaterally revoked on the part of the authorities at any time. Security achieved through sectoral governance, by contrast, would be more difficult for the authorities to violate arbitrarily. Thus, while

vending associations sometimes do pursue security as an individualized objective, that tends to be a default strategy when efforts to secure sectoral governance fail. This makes vending associations more like unions, which also have a strong interest in coordinating to pursue aggregate regulatory concessions (such as minimum wage raises and protection against layoffs) on behalf of all wage earners.

Indeed, as Chapter One argued, both vendors and governments have a strong incentive to establish a comprehensive regulation that would give the state some order in the streets and give street vendors some degree of job security. However, their ability to follow through has been conditioned by contingent political circumstances, both at the national level and at the local level. Vending associations thus also share with unions the need to navigate temporally and spatially defined political circumstances that help determine whether aggregated demands can be met.

These two variations in the logics of collective action between street vending associations and other types of popular association reveal some of the complexity of the newly emerging interest regime. In cases of productionist associations like those of street vendors, the prospects for scaling may be better because of shared common interests and the collective pursuit of an aggregate goal.

Moreover, the newly emerging associational interest regime provides novel opportunities for vending associations to coordinate with other societal actors that did not form part of the old party-union system of interest representation. A diverse range of new associations – including NGOs, social movement organizations, and issue advocacy networks – has joined traditional associations (such as neighborhood associations, parties, and unions) to provide a vast array of potential allies for vending

associations. For example, while FEDEVAL is, at present, extraordinarily weak in terms of the vitality of its linkages with base associations, its small group of core leaders has been remarkably successful in constructing political allies in the union, party, and NGO spheres. Its affiliation with StreetNet, the international advocacy network, has raised its profile and offered new opportunities for FEDEVAL leaders to share information and expertise with vending federations from across the developing world. The relationship between FEDEVAL leaders and researcher-advocates at the NGO Alternativa has likewise brought the organization resources, training, and other forms of support that it would otherwise lack. The construction of these new linkages demonstrates the potential of the new interest regime: though vendors and governments have been largely unsuccessful in achieving sectoral governance until now, the prospects for doing so may increase with the development of a new, more flexible interest regime.

Methodological Implications

The concept of the “informal sector” is, of course, a highly contested one. The prevailing approach sees informality/formality as a dichotomous concept, but in the case of street vendors that approach obfuscates empirical reality. Although vendors are certainly “informal” in the sense that they usually do not pay income taxes or comply with labor or health regulations, the research presented here has shown that they are also engaged in a process of negotiating other dimensions of informality. For these vendors, the dichotomous approach to informality therefore obscures an important part of their daily existence.

The dichotomous approach to the concept also tends to preclude valid measurement in the case of quantitative studies that rely on survey data. Though these studies make important contributions by focusing on hypothesis testing, they also employ an operationalization of the concept of informality that bears little resemblance to its definition. Thus, while most quantitative studies use conventional definitions of informality based on the idea of an absence of regulation, the vast majority of them operationalize the term as either “firm size” or the “self-employed.” Though many of these small firms or economic units may not be “informal” in the same way that the concept and definition imply, using the number of employees as a proxy measure makes empirical analysis more feasible.

The approach of this dissertation differs in that it rejects the dichotomous approach to informality and instead treats the extent of informality among a specific subset of workers as an empirical question. In doing so, it offers an example of one way to overcome the problem of measurement validity in the quantitative study of informal workers.

The first step in this approach was to single out a particular kind of worker within the universe of those commonly thought to be “informal.” In this case, street vendors who (a) have fixed posts in the streets and (b) work in densely concentrated commercial areas in the center of the city provided a population with characteristics that could be clearly delineated and easily measured. Of course, the choice to study this particular subset of workers would not permit generalizations across all informal workers, but it does provide a way to gather quantitative data and draw generalizations about one delimited, well-defined population.

The definition of this universe of informal workers also permitted the construction of an original sampling frame based on standard procedures for household surveys. Areas of dense commercial concentration in central Lima were easy to identify through personal observation, and maps could be used to identify the individual streets and blocks in those areas. Once those key areas were delineated on a map, a research team was assembled to walk the streets and enumerate individual vending posts, just as census takers would enumerate individual households. With the sampling frame constructed systematically using these procedures, we could then draw a stratified random sample of vending posts. Thus, rather than resorting to quota sampling and other less desirable methods, the procedures used here produced a scientifically sound sample of a well-defined population. These procedures both avoided the problems of measurement validity common to quantitative studies of informal workers, and permitted generalizations within the target population.

The study also demonstrates the advantages of research based on mixed methods. Existing studies of the informal sector tend to be either strictly quantitative analyses based on survey data, or strictly qualitative studies that provide in-depth insight into segments of the informal workforce. Each of these approaches has its own advantages, but combining the two methods allows the researcher to capitalize on the advantages of both. The research presented here, for example, allowed for a nuanced qualitative understanding of interaction between vendors and governments while at the same time permitting an analysis of the individual-level characteristics of vendors in the two areas chosen for study. This mixed-method approach produced substantive findings that otherwise would not have been uncovered.

Policy Implications

To some extent, the findings presented here suggest a rather bleak picture of policy designed to govern street commerce in Lima. Yet the core elements of the problem – policy incoherence across national, metropolitan, and local levels, and policy oscillation in local jurisdictions – could be made less severe with some attention to their root causes.

First, the policy contradictions that have developed over time in Lima are grounded in shifting ideological understandings of informality. Ordinance 002 of 1985 was grounded in the idea that street vendors were victims of structural economic problems, and thus viewed street commerce as an inevitable condition in a third world economy. At the same time, the democratic transition in 1980 and the electoral strength of the political left permitted the view that street vendors should be participants in the development of policy designed to govern street commerce. By contrast, the 1990s approach to street vending, rooted in neoliberal thought, viewed street vendors as nascent entrepreneurs who needed only to face the proper incentive structures to lift themselves out of poverty, informality, and illegality and into the realm of legal job-creating microenterprises.

Both of these ways of understanding street vendors have some merit. Street commerce is probably not going away anytime soon in Lima, as the country's strong macroeconomic performance in recent years has not yet produced sufficient job creation to offer an alternative to many of Lima's poor. Producing better laws that reduce bureaucratic obstacles to small businesses and provide entrepreneurs with

strong incentives to expand may help transform some of them from street vendors to small and medium business owners. But policy makers should recognize that neither changing incentive structures nor simply tolerating the problem of street commerce is sufficient to solve the very urgent public policy problems that continue to plague many parts of central Lima.

Indeed, future efforts to develop comprehensive regulatory frameworks to govern street commerce should make compatible the idea that street vendors should participate in policy making and the idea that bureaucratic barriers to growth should be reduced. Policies designed to govern street commerce cannot succeed without the support and compliance of the street vendors themselves. Compliance with regulations is facilitated by strong, democratic vending organizations that are taken seriously as representatives of the sector and given full status as negotiation partners. By carefully designing policies that remove the ideological content of existing measures while integrating the core elements that would make them feasible and effective, policy incoherence in Lima can be substantially reduced.

At the same time, policies generated at the national and metropolitan level must take into account the low budgets and weak administrative capacities of local governments. While comprehensive policy frameworks like Ordinance 002 are necessary for sectoral governance to be achieved, they must provide feasible and affordable ways for local officials to enforce them adequately. Without enforceable rules, new policies are likely to simply perpetuate existing problems with policy oscillation and low compliance among vendors. By taking into account these existing

problems, future policies could provide a more coherent framework that would make sectoral governance possible.

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Appendix 1.

Estimates of the Size of Peru's Informal and Street Vending Sectors

Informal workers are notoriously hard to study systematically. They are difficult to define, they can be difficult to identify, and in some circumstances they may be very difficult to reach. As a result, although the term 'informal sector' has been around for more than three decades, there is no single, systematic, standardized way to measure the size of the informal sector across cities, countries, and regions.

Notwithstanding these challenges, statisticians from the International Labor Organization have probably achieved the most in terms of arriving at a definition of the informal sector that can be applied across national contexts and that avoids some of the conceptual pitfalls discussed in Chapter One of this dissertation. The following discussion presents that definition, and then summarizes the results of ILO studies comparing the size of the informal sector across countries.

In 1993 the 15th International Conference of Labor Statisticians (ICLS) issued a new resolution concerning statistics of employment in the informal sector that has become the baseline for studies of informal employment.¹ The resolution offers a standard description of the concept of the informal sector, as well as operational definitions of its various dimensions. The underlying concept of the informal sector, according to the ICLS resolution, is as follows:

- (a) The informal sector may be broadly characterized as consisting of units engaged in the production of goods or services with the primary objective of generating employment and income to the persons concerned. These units typically operate at a low level of organization, with little or no division between labor and capital as factors of production and on a small scale. Labor relations – where they exist – are based mostly on casual employment, kinship or personal and social relations rather than contractual arrangements with formal guarantees.
- (b) Production units of the informal sector have the characteristic features of household enterprises. The fixed and other assets used do not belong to the production units as such but to their owners. The units as such cannot engage in transactions or enter into contracts with other units, nor incur liabilities, on their own behalf. The owners have to raise the necessary finance at their own risk and are personally liable, without limit, for any debts or obligations incurred in the production process. Expenditure for production is often indistinguishable from household expenditure. Similarly, capital goods such as buildings or vehicles may be used indistinguishably for business and household purposes.²

The emphasis of this approach to the informal sector is therefore rooted in the idea of the household enterprise. Informal sector units are not legally incorporated as enterprises, and hence the distinction between enterprise on the one hand and household or individual on the other – in terms of legal liability, accounts, assets, and so on – is blurred. This definition

¹ The full text of the resolution is available at <http://www.ilo.org/public/english/bureau/stat/res/infsec.htm> (last accessed 7 February, 2005).

² As quoted in International Labor Office, *Key Indicators of the Labor Market 2001-2002* (New York: Routledge, 2002): 232.

overcomes the problems associated with equating informality with an absence of regulation described in Chapter One. It also clarifies the idea of ‘illegality’; these firms are not illegal in the sense that they deliberately violate existing laws,³ but rather that they do not have a legal status that is separate from the individual who owns or runs it.⁴

PERU’S INFORMAL SECTOR IN COMPARATIVE PERSPECTIVE

Since the passage of the ICLS resolution in 1993, the International Labor Organization (ILO) has developed measures of the informal sector as one of its Key Indicators of the Labor Market (KILM). This series compiles national statistics on the informal sector and provides a way to compare national definitions to the standardized definition proposed by the 1993 ICLS resolution. Not all countries have incorporated the resolution in their national accounting. However, the KILM authors point out that the cross-national discrepancies are not so egregious that comparisons cannot be made; the ICLS resolution does allow for some flexibility across definitions and measurements, and some efforts were made to harmonize national definitions across countries.

With these considerations in mind, the statistics on the informal economy presented in the KILM series suggest what is obvious to anyone who has spent time in third world cities: that the informal sector accounts for a major part of urban economic activity, and its importance to the livelihoods of poor people should not be underestimated. In 17 of the 42 countries surveyed for the KILM series, at least 45% of the workforce is employed in the informal sector. Seven of those countries – Argentina, Bolivia, Colombia, Ecuador, Mexico, Paraguay, and Peru – are in Latin America (see Chapter One, Table 1.3). Nine are in Sub-Saharan Africa, and in four of those African countries (Gambia, Ghana, Mali, and Uganda) fully 70 percent or more work in the informal sector. In Pakistan and Tanzania informal workers form over 67% of the workforce; in Myanmar, Kenya, Madagascar, Cameroon, and Côte d’Ivoire they represent over fifty percent of the workforce.⁵

When did the informal sector get so big? The initial growth of informal economic activities is typically associated with demographic explosions in urban centers during peak periods of rural-to-urban migration. In Latin America, rapid migration to urban centers began in the 1930s and generally peaked between 1940 and 1960. Major cities in the region continued to grow through the 1990s, but the average annual rate of change in the urban population steadily declined after 1950 in most countries.⁶

³ That is, the formulation of illegality championed by De Soto (1989) rests on the notion of intent: that informal workers deliberately violate existing legal provisions with which they are familiar because they believe the costs of compliance are too high. The ICLS formulation, by contrast, does not have this assumption of intent built into its definition.

⁴ One disadvantage, as Das (2004) and others point out, is that by concentrating on enterprise units, it inadequately covers individual workers in the informal sector. Keshab Das, “Informally Formal or Formally Informal? The Case of Dysfunctional Data on Small Firms in India and their Potential for Inclusion,” paper presented at the 2004 EGDI-WIDER Conference on Unlocking Human Potential: Linking the Formal and Informal Sectors, 17-18 September, Helsinki: 2.

⁵ International Labor Office (2002): 230-241.

⁶ The exceptions to this pattern are Bolivia and Paraguay, where the average annual rate of growth in the urban population increased until 1980, and Ecuador, which experienced a spike in the 1970s.

The same pattern holds in Lima. The percentage of the total population of Peru residing in Lima steadily increased from 12.8% in 1950 to 29.0% in 2000, while the average annual rate of growth of metropolitan Lima went from 5.51% in the 1950-1955 period to 2.20% in 1995-2000. Nonetheless, the rate of growth remained near or above 5% until 1970.⁷

In the Peruvian case, growth in the industrial sector did not keep up with the explosion of new migrants who arrived in Lima between 1940 and 1980. As Table A1.1 shows, the size of the industrial sector⁸ remained roughly constant between 1970 and 1990, while the urban population continued to grow. During that period, the peak of Peru's industrial collapse occurred in the late 1970s and early 1980s; by 1985, industrial employment had fallen to 1973 levels, before recovering in 1986 and 1987.⁹ In fact, the stagnation or decline of the industrial sector was common throughout the region, with the exceptions of Colombia, Brazil, and Mexico. In Mexico, the industrial workforce grew substantially between 1970 and 1980, but collapsed during the 'lost decade' of 1980-1990 to pre-1970 levels.

Table A1.1. Percent Economically Active Population Employed in Industry, 1970-1990

Country	% of EAP Employed in Industry		
	1970	1980	1990
Argentina	34.3	33.7	32.4
Bolivia	20.0	17.6	17.5
Brazil	20.0	23.9	23.0
Chile	29.3	25.4	25.4
Colombia	19.3	21.4	22.9
Ecuador	20.0	20.2	19.1
Mexico	24.2	29.1	23.7
Paraguay	18.9	20.1	22.0
Peru	17.5	18.3	17.8
Uruguay	29.1	28.2	27.2
Venezuela	24.8	27.8	27.3

Source: Derived from ECLAC (2002): 711-713.

As more migrants arrived in the Peruvian capital only to find industrial sector jobs scarce, informal economic activities served as a safety valve to absorb the surplus labor force.¹⁰ New migrants relied on kinship and provincial networks that had formed in the countryside for support. The members of these networks drew on entrepreneurial skills developed in the

⁷ United Nations Population Division, *World Urbanization Prospects: The 2001 Revision*, Tables A.14 and A.16.

⁸ In terms of the percentage of the economically active population employed in industry.

⁹ Balbi and Gamero 1990: 69.

¹⁰ The relation between migration and informalization is described from different perspectives in IDESI (1992), Grompone (1991), Adams and Valdivia (1994), and Balbi (1997), among others.

countryside to develop income-generating activities in the city.¹¹ In fact, household surveys from the mid-1980s to the mid-1990s suggest that between 55% and 63% of people who worked in microenterprises¹² during that period were migrants,¹³ and a 1983 survey shows that 72.4% of people who worked in commerce during that year were migrants.¹⁴

The combination of these conditions – steady rural-to-urban migration, rapid growth in the population of Metropolitan Lima, a stagnant industrial sector, and the insertion of migrants into income-generating networks – likely contributed to the growth of the informal sector after about 1970. It was just about that time when Keith Hart first coined the term “informal sector” to describe similar income-generating activities that he had observed in Ghana (Hart 1973). As a result, though similar informal activities took place across countries and regions, national statistical agencies were not yet equipped to define the informal sector in precise terms or to measure it accurately and consistently. Nonetheless, by 1975 economists in Peru had begun to develop measures of the informal economy, and according to one study the percentage of the economically active population made up by informal workers grew from 35.6% of the economically active population in 1975 to 44.6% in 1986.¹⁵

The evidence available from later periods suggests that the informal sector also experienced growth between 1984 and 1997. Two separate projects, each using a different definition of informal sector employment, support this notion. The first was an annual household survey called ENAHO (Encuesta Nacional de Hogares), conducted by the country’s national statistical institute, INEI. This survey used a broad definition based on the size of the enterprise, defining informal sector employment as “persons working in private enterprises with four or less persons engaged in all branches of economic activity other than manufacturing, and with nine or less persons engaged in manufacturing,” excluding professionals and paid domestic workers. Based on this definition, ENAHO survey results show that the informal sector steadily increased from 37.9% of the workforce in 1984 to 50.8% in 1997.¹⁶ The inclusive definition, of course, does not capture the other elements of informality highlighted by the 1993 ICLS resolution.

The second estimate, developed by the International Labor Office in Lima, was slightly closer to the ICLS definition. The ILO estimate defined informal sector employment as “all own-account workers (excluding administrative workers, professionals and technicians) and unpaid family workers, and employers and employees working in establishments with less than five or ten persons engaged, depending on the available information” and excluding paid domestic workers. According to this definition, informal sector employment grew from 46.7% of the workforce in 1990 to 54.2% in 1997.¹⁷ Again, of this percentage we do not know how many people worked for units run as household enterprises, but it is probably reasonable to assume that the vast majority of those units were not legally incorporated.

¹¹ See Adams and Valdivia (2004), chapter 3 for a detailed description of this phenomenon.

¹² Microenterprises are defined as units with up to ten employees.

¹³ Gamero and Humala (2002): 74.

¹⁴ Carbonetto et al. (1988): Cuadro 56.

¹⁵ Eliana Chávez O’Brien, “El Empleo en los Sectores Populares Urbanos: de Marginales a Informales,” in Alberto Bustamante et al., *De Marginales a Informales* (Lima: DESCO, 1990): 113.

¹⁶ ILO (2002): 240.

¹⁷ ILO (2002): 240.

The figures presented here suggest that while our measures of the informal sector are not perfect, it is likely that informal economic activities in Lima have increased substantially since about 1970. Since that time, internal migration to the capital city has persisted; the urban population has grown steadily; industrial employment has remained low; and the vast majority of workers now work for small and microenterprise units.¹⁸

LIMA'S STREET VENDING SECTOR

Policy makers and informal sector analysts have used at least four different approaches to estimating the number of street vendors in metropolitan Lima at different points in time, but the difference in methodology among these estimates means that over-time comparisons of the size of the street vending sector are not as accurate as we might hope. Nonetheless, the evidence that is available suggests that street vending has become an increasingly important source of employment for Lima's rapidly growing low-income population.

Head Counts

Perhaps the most obvious approach to determining the number of street vendors is to walk around and count them, though naturally this is difficult to do in a city of more than 7 million people. The metropolitan government of Lima conducted the first census of street vendors in 1976 by assigning census takers to walk through the streets of 29 municipal districts and count vendors. This census produced an estimate of 58,284 vendors in total, of which about 55 percent were women.¹⁹ However, the government did not carry out its own annual surveys to trace the growth of street vending over time after that first census in 1976.

The Institute of Liberty and Democracy (ILD) conducted its own census in January 1985. Researchers began by identifying 220 known concentrations of street vendors across the metropolitan area. Census takers then went street by street through other parts of the city's 29 districts to detect more concentrations of vendors, which raised the total number of concentrations to 829. Once these concentrations had been identified, enumerators conducted a headcount of street vendors from Monday through Friday for the last two weeks of January in those concentrations. This procedure produced an overall count of 84,135 street vendors. ILD researchers estimated that the number of vendors increases on weekends by about 5 percent. Taking into account the weekend increase, an additional 2 percent increase to include vendors who work at night, and a 5 percent margin of error, the ILD estimate for 1985 rose to a total of 94,231 vendors.²⁰

How accurate is this estimate likely to be? On the one hand, a headcount approach may underestimate the total number of vendors. As enumerators walk up and down streets at any particular time, they are likely to count the number of individuals actually minding posts on

¹⁸ ENAHO data show that 72.3% of the economically active population work for firms of ten or fewer employees (INEI 2000: 41).

¹⁹ Unfortunately, only minimal documentation of this first census was available, and that documentation does not describe in detail how the census was conducted. The results of the census presented here are based on a separate report conducted by Hernando de Soto's Institute of Liberty and Democracy (ILD) that summarizes ILD's own census of 1986. "Proyecto Comercio-Estudio Preliminar Informe Final – Textos y Apéndices 1-3," Lima: ILD.

²⁰ ILD, "Censo de Vendedores Ambulantes," ILD Library File. According to *The Other Path* (De Soto 1989: 60), the same procedure was repeated in 1986, producing a raw head count of 91,455 (before adjustments).

the street, as they must avoid the inclusion of customers as part of the headcount. But it is quite common for vendors to mill about a street market over the course of the day to socialize, exchange information, and make purchases from one another,²¹ so those vendors who are not minding their posts at the precise time of the count may not be included. It is also common among vendors to have family members help out at their posts at different times during the day, so that those who do not happen to be present at the time of the count would not be included.²² The ILD researchers also suggest that commercial activity is lower in January than it is during other times of the year, so that their count may be as much as 25 percent lower than the average number of vendors over the course of the year. Finally, ILD researchers focused on areas of concentration, which does not incorporate vendors who work outside of those concentrations.

At the same time, this estimate is undoubtedly more accurate than the type of estimates that are based purely on guesswork. For example, ILD reported that metropolitan officials placed the figure at 400,000 in the mid-1980s, and one of the street vending organizations claimed that there were 500,000 vendors in Lima at the time. Clearly, vending organizations – particularly federations that claim to “speak for” the entire sector – have an incentive to exaggerate the numbers in this sector, and the organization in question did not provide any empirical data to back up its claim. Moreover, according to ILD, the total number of persons occupied as merchants (based on 1981 census data) was about 211,000, of which some percentage worked as street vendors. Thus, the actual number of vendors at this time is probably somewhere between the ILD figure of 94,000 and perhaps 150,000 or so.

A third study from 1994 called the Survey of Municipalities (Encuesta de Municipalidades, ENMUN), presented in Aliaga (2002: 26), produced an estimate of 182,167 street vendors in metropolitan Lima. The 1994 estimate is a combination of headcounts and estimates,²³ meaning that the results from the three surveys are not entirely comparable. Nonetheless, if we set aside for the moment the differences in methods between municipalities in the 1994 survey and across the three surveys to calculate the annual rate of increase for the entire period (1976-1994), we get an average annual increase in street vendors of about 6.5 percent. Using that growth rate to extrapolate forward to 2005 would produce a present-day estimate of about 365,528 street vendors.

Occupational Categories

A second approach to estimating the number of street vendors is to compare the results of household surveys that ask questions about occupational activities against the results of the previous approaches. For instance, INEI’s “Perú: Características del Empleo Urbano,” based on 1999 ENAHO data, shows that the two largest occupational categories (of 19 listed) are retail merchants (14.1 percent of the employed population) and street vendors (9.2 percent of the employed population).²⁴ The 2002 CIRELA Survey of Lima Residents produced a similar figure; in that sample, 70 respondents (8.8 percent) who reported that they engaged in some

²¹ For example, vendors who sell things other than food often eat at neighboring vendors’ posts where meals are prepared.

²² In fact, the 2003 Microbusiness Survey shows that 58.7% of street vendors interviewed have family members or friends who help them with their post.

²³ The numbers for the 1994 survey are presented by district, and some districts have a precise estimate (e.g. Los Olivos is listed as having 2,752 vendors) while other districts have round numbers (e.g. San Martín de Porres is listed as having 10,000 vendors).

²⁴ INEI (2000): 40.

form of income-generating activity worked as street vendors. Both of these figures may underestimate the total number of street vendors; social desirability bias would incline some respondents to report that they work as “merchants” rather than admitting they are street vendors.²⁵ Nonetheless, based on these figures we might assume that the true percentage of the economically active population in Lima working as street vendors is somewhere around 10%. Applying that percentage to the total number of people in Lima’s economically active population in 2003 (3,361,308) would produce an estimate of about 336,000 street vendors total. The difference between this figure and the previous one is thus around 20,000 (see Table A1.2).

Table A1.2. Four Estimates of the Number of Street Vendors in Lima, 2004

Approach	Estimated no. of Street Vendors, 2004
1. Headcounts (INE, ILD, ENMUN)	365,500
2. Occupational category (ENAHO, CIRELA)	336,000
3. Composition of informal sector (ILO, CEDEP)	395,000
4. Composition of commercial sector (MINTRA, ENAHO)	355,000

Informal Sector Composition

A third way to cross-check these figures is to estimate the percentage of the informal sector made up by street vendors, and calculate the number of street vendors from estimates of the number of informal workers from the ILO. No current estimates of the composition of the informal sector are available, but 1983 survey conducted by Center for the Study of Development and Participation (CEDEP) in Lima showed that 48.4 percent of the informal sector worked in commerce,²⁶ and of that commercial sector, 45 percent worked as street vendors.²⁷ If we take the 1981 census estimate of the total economically active population in the informal sector (469,846) as a baseline, the 48 percent who work in commerce would total 227,405. Of that number, the 45 percent who work as street vendors would total 102,332. This estimate for the 1981-83 period is slightly higher than the 1985 estimate generated by the ILD head-count (94,231), but it is reasonably close within an order of magnitude. Taking the

²⁵ This was borne out in the CIRELA survey. Respondents were asked two separate questions in an attempt to discover how many were street vendors. The first was an open-ended question that simply asked respondents what their primary job was. If the respondent replied that they sold things as part of their job, a follow-up question asked them to state whether they consider themselves an ambulatory vendor, a vendor with a mobile post, a vendor with a fixed post, or a merchant with their own store. For the first question 8.8% of respondents said they worked as street vendors, but for the second question 17.7% specified one of the three types of street vendors specified in the text of that question. Moreover, the survey asked about respondents’ primary occupations; it could be that many people who have primary occupations other than street vending also supplement their income by vending on the side.

²⁶ This study conceptualizes the informal sector in terms of enterprise characteristics. It defines informal enterprises as those with (a) four or fewer employees, and (b) capital to labor ratios and productivity levels below that of the “modern sector.”

²⁷ Carbonetto et al. (1988): Cuadros 16 and 27.

same percentages and applying them to the EAP in 2003 would produce an estimate of about 395,000.²⁸ This estimate is clearly higher than the others, and requires more daring leaps of faith; thus, we might consider it as an “upper bound” for the possible number of street vendors in Lima at present.

Commercial Sector Composition

A fourth method for estimating the number of street vendors in Lima at present is to use data provided by the Ministry of Economics and Labor (MINTRA). MINTRA estimates for 2002 show that 893,593 people worked in the commercial sector that year.²⁹ If we transfer the ratio of street vendors to retail merchants generated by the 1999 ENAHO survey – 14.1 percent of the economically active population worked as retail merchants, and 9.2 percent worked as street vendors – then we could assume that roughly 1.5 times more people work as retail merchants than as street vendors. Applying that figure to the 893,593 number, we could hypothesize that about 355,000 work as street vendors and 538,000 work as retail merchants.

Thus, the four methods presented here produce a range of estimates from 336,000 to 395,000 total street vendors in Lima, with an average estimate of 362,875.

The district-by-district results from the 1983 CEDEP survey and the 1994 ENMUN survey, summarized in Tables 2.6 and 2.7 below, show which districts had relatively high percentages of informal workers in 1983 and relatively high numbers of street vendors in 1994. The three districts in bold are those selected as research sites for this study.

²⁸ Applying the percentages from 1981 and 1983 data, of course, requires a leap of faith that those percentages have remained stable over time. Nonetheless, without such leaps of faith, we would be left with no way to triangulate the information that is available. This estimate was calculated as follows: the EAP in 2003 totaled 3,361,308. The most recent estimate of the size of the informal sector (in terms of % EAP) is the ILO estimate of 1997, which is 54.2%; 54.2% of the 2003 EAP equals 1,821,828. According to the CEDEP study, 48.4% of the informal sector works in commerce; applying that to our number of informal workers for 2003 would give us a total of 881,765 who work in commerce. Then applying the CEDEP estimate that 45% of those who work in commerce are street vendors, we would get a total number of 396,794 street vendors at present.

²⁹ MINTRA, Programa de Estadísticas y Estudios Laborales (PEEL), accessible at <http://www.mintra.gob.pe/peel/index.htm> (last accessed 6 February 2005).

Appendix 2.

Methodology: 2003 Microbusiness Survey

This appendix summarizes the methodological approach of a survey of street vendors and microenterprise owners undertaken in Lima, Peru, during the month of June 2003.¹ The purpose of the survey, called the 2003 Microbusiness Survey, was to evaluate the working conditions, political attitudes, and political behavior of two types of workers often considered to be “informal” – street vendors and microenterprise owners – in three different parts of Lima: the commercial conglomerate of Caquetá, in the district of San Martín de Porres; the garment district Gamarra, in the district of La Victoria; and the commercial center Polvos Azules, just outside the city’s Historic Center. The survey team conducted face-to-face interviews with a total of 454 respondents.

One widely acknowledged deficiency of studies of the informal sector is the lack of reliable, systematic data on the workers it encompasses. Good sample surveys are difficult to conduct first of all because the term “informal sector” itself is deeply contested. On the ground, the boundaries of the population of informal workers in any city are difficult to delineate, because these workers are typically spread throughout the city and because their worksites can be mobile. Reliable sampling frames enumerating these workers are typically nonexistent, and interviews often must take place in busy, crowded, noisy areas with a constant flow of interruptions. Because of these challenges, systematic surveys of this population of workers based on probability samples are relatively hard to produce and hard to find.

This project attempts to help remedy this lack of systematic data on informal workers. While recognizing the inherent challenges involved in surveying informal workers, it proceeds from the assumption that pragmatic methodological choices that are sensitive both to scientific standards of survey research and the reality of third world research settings can produce reliable, useful data on these workers. Thus, I hope that the information presented offers a useful example of a pragmatic strategy for studying a difficult-to-reach population.

DEFINITIONS

Microbusiness Sector. By my definition, the microbusiness sector includes all workers who are self-employed or who work for firms with fewer than five employees. It therefore encompasses workers with a wide range of occupations, income levels, and relationships with the state. I use the term “microbusiness” rather than the term “informal” because of the difficulties of arriving at conceptually valid ways of operationalizing “informal.” Without a doubt, however, the microbusiness sector includes many workers who would be considered informal by most definitions. I further subdivide the microbusiness sector into four categories, according to the type of space in which one works. These four categories are outlined below.

Street Vendors. I define street vendors as people who work in open-air public spaces. Those public spaces are most often streets, but they also can include sidewalks, medians, and what in Lima are called *campos feriales* – a sort of “fairgrounds” designated by the state for the specific purpose of street vending. Street vendors may be ambulatory or they may work at

¹ I gratefully acknowledge the dissertation research grant from the Institute for the Study of World Politics in Washington, D.C. that made this survey possible.

fixed posts, most of which are broken down at the end of the day, stored overnight, and then re-constructed early the next morning.

Microentrepreneurs. I define microentrepreneurs as people who work in indoor private commercial spaces. In Lima, the majority of microentrepreneurs work in stands or stalls in shopping galleries that have been subdivided into many smaller units, much like squatter settlements are divided into smaller lots. For the purposes of this report, the term “microentrepreneurs” refers both to people who own their businesses and people who work for a boss.

Homeworkers. I define homeworkers as people who work in private residential space. To my knowledge, there is no comprehensive study of homeworkers in Lima; consequently, their characteristics remain unknown.

Market Workers. I define market workers as people who work in markets that are housed in state-owned buildings, such as the Mercado Mayorista N° 1 in La Victoria. Market workers are similar to street vendors in that they work in public (state-owned) spaces, but those spaces are not open-air spaces; rather, they are buildings.

SAMPLING DESIGN

Selection of Municipal Districts

The research sites were chosen as part of a broader study of street markets, local governance, and political representation in Lima. The three municipal districts which form the focus of the study – San Martín de Porres, La Victoria, and Lima-Cercado – are similarly situated within the landscape of the metropolitan area. They are all centrally located within the metropolitan region; they are all relatively large districts, each with a population of over 220,000 residents; they are all poor, each with over 70% of their residents falling in the poorest socioeconomic categories; and they are all home to a densely concentrated commercial area that encompasses thousands of street vendors and microentrepreneurs. The selection of a set of districts with these similarities was designed to limit the influence of district-level effects on the patterns of participation uncovered in the study.

These three districts are not, however, representative of all 43 municipal districts in Lima. On the contrary, they were chosen because of the relative importance that microbusiness politics plays in each district, as opposed to Lima’s other districts. Lima’s peripheral areas, which are more isolated from the central city’s wholesale markets, are also less densely populated and exhibit a different commercial and social dynamic than the central city. At the same time, however, the findings of this study should provide a basis of comparison for similarly situated areas of other large third world cities.

Selection of Research Sites

The original sampling strategy was to target six populations: a population of street vendors and a population of microentrepreneurs from each of the three districts selected for the study. In order to uncover the relationships between street vendors and microentrepreneurs within each district, the original plan was to include one research site within each municipal district that contained a large mix of both street vendors and microentrepreneurs who presumably interacted with one another. In two of the three districts, such a site was easy to identify: San

Martín de Porres is home to Caquetá, one of the largest commercial conglomerates in metropolitan Lima,² and La Victoria contains the city's uniquely dynamic garment district, Gamarra. Both Caquetá and Gamarra have large populations of both street vendors and microentrepreneurs.

In Lima-Cercado, site selection was a bit more complicated. Prior to 1996, the city's Historic Center was teeming with street vendors, and microentrepreneurs could be found in various commercial lots around them. Because of the enormous public policy problems generated by the concentration of vendors in the historic area, then-Mayor Alberto Andrade undertook the most sweeping expulsion of vendors in the city's modern history. This expulsion dispersed vendors throughout the district and outside of it, leaving only one obvious area where vendors remained concentrated: the *campo ferial* Las Malvinas, a six-block long space in the median of a road just adjacent to the Historic Center housing more than a thousand vendors. Similarly dispersed were small-scale commercial lots with microentrepreneurs; the major exception to this was Polvos Azules, a large commercial center to which many former street vendors were relocated after the 1996 expulsion. Thus, the initial plan was to select Las Malvinas and Polvos Azules as the research sites for Lima-Cercado,³ so that we would have large populations of both street vendors and microentrepreneurs from which to draw our sample.⁴

Unluckily for the project, three weeks before we initiated fieldwork for the survey, the metropolitan government razed Las Malvinas.⁵ This expulsion relocated many vendors to nearby commercial lots and dispersed others to locations outside the district. Faced with no feasible alternatives for selecting street vendors from a site near the Historic Center, we chose to limit our population from Lima-Cercado to microentrepreneurs from Polvos Azules. We then adjusted the individual-level sampling strategy (see below) to take into account the reduction in target populations from six to five.

We selected research sites where street vendors and microentrepreneurs were densely concentrated for both practical and theoretical reasons. Although many street vendors work outside these areas of dense concentration, developing a sampling frame to include them would have been economically and logistically unfeasible. Furthermore, because of our

² The term "commercial conglomerate" is a direct translation of the full name of Caquetá in Spanish, the Conglomerado Comercial Caquetá. It refers to the combination of street vending posts, commercial lots housing microentrepreneurs, and larger businesses that populate the area known as Caquetá. The streets composing the commercial conglomerate are blocked off to vehicular traffic. Further information about Caquetá is available on the website of the Peruvian NGO Alternativa, www.alter.org.pe.

³ Polvos Azules is actually located just outside the district of Lima-Cercado in the neighboring district of La Victoria. However, many of the original microentrepreneurs to work there were relocated from street vending posts in Lima-Cercado after the 1996 expulsion. Polvos Azules is also closer to the commercial part of Lima-Cercado than it is to Gamarra, the heart of commercial activity in the district of La Victoria. Finally, its construction was sponsored by the metropolitan Lima government, which also administers the municipal district of Lima-Cercado. Because of its historical and physical links to Lima-Cercado, then, we are considering it a research site "from" that district even though its location is actually just outside of it.

⁴ It is not the case that street vendors from Las Malvinas and microentrepreneurs from Polvos Azules would interact in the same way as street vendors and microentrepreneurs from the other two districts, since they are physically separate research sites. Nonetheless, this was the best option available.

⁵ This is not to pass judgment about the wisdom or appropriateness of the metropolitan government's actions; it is simply to say that it eliminated one of the research sites planned for inclusion in the study.

interest in the interaction between the two types of workers, it made sense to select areas where they were most likely to interact.

Identification of the Target Population

The target population for this study is street vendors and microentrepreneurs, 18 years and older, who work at one of the three research sites described above. The population therefore includes “owners” of stalls, stands and posts; individuals who rent those spaces from others; and people who work with or for a primary owner or renter. We chose not to limit the sample to the owner or primary occupant for practical reasons; many people who own or preside over stalls, stands, and posts have several of them, and since they spend the day either moving between them or procuring goods to be sold at them, they are difficult to find and interview. Therefore, we interviewed any occupant of the selected stand, stall or post, as long as that person worked there as a matter of routine and was of legal age.

We demarcated the physical boundaries of each research site as follows. For Caquetá, we adopted the boundaries identified by Alternativa, a Peruvian NGO whose researchers have conducted extensive studies of the commercial conglomerate. Those boundaries follow streets that border the area: Zarumilla, Caquetá, Gregorio VII, and Pocitos. For Polvos Azules, the boundaries simply coincided with those of the building itself.

In the case of Gamarra, no official delineation of physical boundaries exists. While there is a central street named Gamarra where the garment district originated, the area generally thought of as “Gamarra” emanates outward from that principal boulevard but lacks any widely agreed upon boundaries. Previous studies suggest a few alternatives for identifying the boundaries of the garment district, as the Alternativa studies do for Caquetá. However, the density of workers in Gamarra far exceeds that of Caquetá or, indeed, any other commercial area in Lima.

Because part of our research strategy was to develop an original sampling frame of the target population, we chose to limit the physical boundaries of our study area to the streets encompassing the heart of the garment district: San Pablo, Bauzate y Meza, Jirón América, and San Cristobal. The practical costs of conducting an enumeration of stands, stalls and posts in an area larger than that – in terms of time and labor – were prohibitive. Even with this limitation, our enumeration procedure in Gamarra identified more than twice the number of street vendors and microentrepreneurs in Caquetá.

An additional consideration in the case of Gamarra was the size of the private commercial lots. Gamarra is made up of more than a hundred shopping centers, called *galerías*, that sometimes have up to eight or ten stories. Each floor is in turn subdivided into many small stands or stalls. Thus, a single building could contain several hundred stands or stalls. However, typically only the first three floors of a *galería* has stands from which merchants sell their wares to the public, since nearly all of them lack elevators and patrons are unlikely to climb any higher than three floors. The upper floors are typically used as production sites, where the garments sold on the lower floors are made. Although these production sites are themselves interesting objects of study, we chose to exclude them from the survey since we were mainly interested in comparing workers engaged in commercial activities rather than production.

Development of the Sampling Frame

No sampling frame of the stands, stalls, and vending posts in these areas existed at the time of the survey. Because we were committed to developing a sample that could be considered representative of our target population, we chose to generate our own original sampling frame. Although doing so was somewhat complicated logistically, with a team of fifteen people we were able to produce what we consider to be a reasonably reliable sampling frame within the period of about ten days.⁶

For Caquetá and Gamarra, we began by numbering every block within the physical boundaries of the research site (64 in Caquetá and 106 in Gamarra). Interviewers were given a map of the research site with the streets numbered, along with an enumeration sheet. To enumerate street vending posts,⁷ the interviewers canvassed each block, counting the number of vending posts on each block and enumerating them on the maps.⁸ This procedure produced an overall count of 1,518 street vendors in Caquetá and 2,271 street vendors in Gamarra. To enumerate microenterprise posts, we treated each row or hallway inside of a commercial center in the same way as we treated street blocks, enumerating each post systematically and recording the results of the enumeration on the maps. This procedure uncovered a total of 536 microenterprise posts in Caquetá, and 4,835 microenterprise posts in Gamarra.

For Polvos Azules, coincidentally the International Labor Organization was also conducting a census of microentrepreneurs in Polvos Azules at the time our fieldwork began. The ILO researchers generously shared with us their computerized sampling frame, so that conducting our own enumeration became unnecessary.⁹ Polvos Azules has a total of 1,923 microenterprise posts.

Development of the Sample

Our survey budget allowed for a total of roughly 450 interviews. Within the confines of this budgetary ceiling, one of our primary goals was to ensure that we had an adequate number of cases to perform statistical analyses on each type of worker in each district. To meet that goal, we chose to produce a sample of 225 street vendors and 225 microentrepreneurs total: 112 street vendors from Caquetá, 113 street vendors from Gamarra, and then 75 microentrepreneurs from Caquetá, 75 from Gamarra, and 75 from Polvos Azules. The result

⁶ The government agency Prompyme was conducting a census in Gamarra in the months before the survey. However, we were unable to access the results of that census in time for our own study, and the census only included microentrepreneurs.

⁷ We were in fact enumerating street vending posts and microenterprise stands and stalls rather than individual street vendors and microentrepreneurs, as the latter would have been impossible without registering names and other identifying information of our subjects. Conducting such a registration would have intimidated many of our subjects and run the risk of violating their privacy and security.

⁸ While these street vending posts are for the most part “mobile” in that they are broken down at night and reconstructed in the morning, it is generally the case that the same person returns to the same spot every day. The exceptions to this rule are those in Caquetá who vend from carts attached to large tricycles, who occupy posts (spaces) on the street on a first come, first served basis. However, there are specific posts that the vending associations have allotted specifically to *tricicleros* (those who ride tricycles) to which they return each day, so although the individual occupying the post may change from day to day, that post is always occupied by a *triciclero*.

⁹ We gratefully acknowledge Manuel Pilco and his staff for sharing their sampling frame and otherwise assisting with our efforts to implement the survey in Polvos Azules.

of this choice is that in the pooled sample of all workers we interviewed, street vendors and microentrepreneurs from Caquetá are both over-represented.

For both Gamarra and Caquetá, we stratified the sample by block to ensure the representativity of our sample. Stratifying by block in the case of Caquetá is also roughly equivalent to stratifying by product category, since typically vendors who sell the same thing can be found on the same block. Stratifying by product category in Gamarra was less relevant since almost all vendors there sell the same thing (textiles). In the case of Polvos Azules, since the ILO had already identified the product category of each post, we stratified by product category rather than block or hallway. Once we had stratified each sample, we used the random number generator in Excel to produce a set of randomly selected posts (each of which had been numbered, 1 through N for each sample where N=the total number of posts for that target population) to contact for interviews.

REFUSAL CONVERSION

In cases where nobody meeting our selection criteria (a person of legal age who works regularly at the post) could be found at a selected post, interviewers were instructed to return to the post at least three times to attempt to complete the interview. In most cases, getting an interview was simply a matter of being at the post (a) when an eligible interviewee was also there and (b) when business was slow. As a result, our interviewers conducted many interviews in the mid-morning hours. Conducting interviews after dusk was not an option at any of the research sites, as all three are located in relatively dangerous parts of Lima. In cases where an interviewer was unsuccessful in completing an interview after three attempts, that interviewer was given a replacement post, also selected randomly through the Excel random number generator.

INTERVIEWER CHARACTERISTICS

The research team consisted of the author, a local field coordinator, and thirteen local interviewers. All interviewers were native Peruvians except one, and all received extensive training in the two weeks prior to fieldwork. The interviewers were recently graduated or upper level students from the Pontificia Universidad Católica del Perú and the Universidad Nacional Mayor de San Marcos, and most were sociologists or anthropologists. All had previous experience conducting field interviews, and nine of thirteen had prior experience working on surveys with the author and local field coordinator. Six were female and seven were male. The interviewers worked in three teams, each team assigned to one of the three research sites. This team approach was designed to facilitate collaboration among the interviewers and to increase their personal safety.

Appendix 3.

Methodology: 2002 CIRELA Survey of Lima Residents

This appendix summarizes the methodological approach of the 2002 CIRELA Survey of Lima Residents. The survey was one of two data collection instruments that form the empirical base of the project “Comparative Infrastructure of Representation in Latin America,” or CIRELA. The Survey of Lima Residents was undertaken in June-August 2002. Project participants undertook similar research in Buenos Aires, Argentina; Santiago, Chile; and Caracas, Venezuela in 2002 and 2003.

The purpose of the surveys was to explore the patterns of action through which the lower and lower-middle classes, the vast majority in these societies, seek to organize, obtain political representation, and solve their most pressing collective social problems. In several contemporary Latin American democracies, neoliberal reforms have eroded the economic, social, and political foundations underlying older structures of claim making and collective problem solving, most prominently labor unions and labor-based parties. With these challenges to the classic structures of representation, analysts have pointed to the growing number of local associations, issue-specific urban movements, and NGOs as structures through which the popular sectors now pursue their interests. This project explores the representative nature of these new structures by asking what kinds of associations have emerged, who participates in their activities, what issues they attempt to tackle, and how they collectively function as an interest regime.

The first survey (“Survey of Association Leaders”) was based on 240 interviews of association leaders in eight municipal districts in Lima (30 per district). The survey asked about the primary issues to which these associations were dedicated, their most important activities, and the linkages between each association and other types of organizations, including base-level associations such as neighborhood groups and soup kitchens, labor unions, churches, political parties, and firms. The second survey (“Survey of Lima Residents”) was administered to 1,484 residents of Metropolitan Lima. This survey asked Limeños how they attempt to solve their most important collective problems, their perceptions of the types of organizations included in the Survey of Association Leaders, and their employment conditions, social networks, and political characteristics.

The remainder of the appendix presents the methodology of the Survey of Lima Residents.

SAMPLING DESIGN

Selection of Municipal Districts

The four cities included in this study have total populations of between three and twelve million inhabitants (see Table A3.1). Because mapping the complete associational infrastructure of cities of this size was logistically impossible, we opted instead to select eight smaller areas of each city on which to focus our analysis. These areas were, in each case, rough equivalents of municipal districts.

Table A3.1. Population estimates, Latin American cities, 2000

	Population
Buenos Aires	12,583,000
Santiago	5,266,000
Lima	7,454,000
Caracas	3,153,000

Source: United Nations, *World Urbanization Prospects* (2003).

In order to select the eight sub-units in each city, we employed a stratified purposive sampling strategy. One of the project's hypotheses was that the socioeconomic level of a given district or neighborhood might affect the types of associations working in that area, the issues to which they are dedicated, and the activities that they undertake. Poorer neighborhoods, for example, might have more associations that are oriented around survival issues, while middle-class areas may have associations more interested in post-materialist issues. A second and related hypothesis was that a given neighborhood or area's historical ties to leftist political parties or social movements might also influence its associational infrastructure. For instance, areas where political parties of the left were highly active in the 1980s might be more oriented toward collective action and claim-making than areas where leftist parties were weak or absent. Based on these two hypotheses, the project team selected eight districts with different scores on the variables of socioeconomic status and historical ties to the left.

Measures

Extent of poverty. Researchers in Peru typically use a standard set of socioeconomic categories, from A through E (with A being the richest and E being the poorest), to classify individuals, households, blocks, and districts. Based on data supplied by the public opinion firm Apoyo S.A., we constructed a measure of the extent of poverty in Lima's districts by adding the percentage of blocks in each district that correspond to socioeconomic level D and socioeconomic level E.

Ties to left. The cleanest and most systematic way to measure a district's historical ties to the left in Lima is to look at electoral data. After the transition to democratic elections in 1980, the political left in Peru gained considerable electoral momentum and consistently participated in elections until the end of the decade, when the party system collapsed. Therefore, the years in which electoral support for the left can be measured justifiably are between 1980 and 1989. The measure used for this project was the average vote for the main leftist political block, Izquierda Unida, in municipal elections during the 1980s (1980, 1983, 1986, and 1989).

Cut points

A natural break point exists between richer districts and poorer districts in Lima.¹ Because the project focus is on popular class districts, the sampling universe included only those districts with higher percentages of blocks at the lowest socioeconomic levels — that is, those with 35% or more.² This universe included 14 districts.

We then selected cut-points at which to stratify the sample into four cells: those with less extensive poverty and weaker ties to the left; those with more extensive poverty and weaker ties to the left; those with less extensive poverty and stronger ties to the left; and those with more extensive poverty and stronger ties to the left. In terms of ties to the left, the cut-point was placed at the mid-point between the district with the weakest left ties (Chorrillos at 25%) and the district with the strongest left ties (Villa El Salvador at 45%). This cut-point places seven districts in the “weaker” category and seven in the “stronger” category. In terms of extent of poverty, the original cut-point was placed at the mid-point between the district with the lowest percentage of D and E blocks (Lima-Cercado at 36%) and the district with the highest percentage of D and E blocks (76%). However, this cut-point produced zero cases in the “higher poverty, weaker left presence” category. Therefore, the cut-point was moved slightly downward (two percentage points) to accommodate the two closest cases, Chorrillos and San Juan de Miraflores.

Purposive sampling decisions

Once the four categories were created, eight focus districts were chosen for the study, two from each cell. The cases in the “more poverty, weaker left” cells, Chorrillos and San Juan de Miraflores were self-selected as the only two cases in that cell. In the “less poverty, weaker left” cell, the districts of Lima-Cercado and La Victoria were selected. These two districts are also focus districts in related research projects. Lima-Cercado is also an electorally important district, in that it contains the second-largest number of electors (329,100) in all of metropolitan Lima. This district was also included in Henry Dietz’ over-time study of political participation in Lima, which used survey research to analyze themes that are similar to those of the CIRELA project. Finally, both Lima-Cercado and La Victoria are important industrial and commercial centers for the metropolitan area, and therefore are qualitatively interesting cases.

In the “less poverty, stronger left” cell, the districts of San Martín de Porres and Independencia were chosen. San Martín de Porres was selected because it is an important industrial and commercial center of the city, and because of an existing research base on the district. Independencia was chosen because other scholars interested in similar themes have also studied it; for example, Susan Stokes’ work on political culture and social movements was based in Independencia.

Finally, the districts of Villa El Salvador and El Agustino were selected from the “more poverty, stronger left” cell. Villa El Salvador is perhaps one of the best-studied districts in Lima because of its remarkably close history with the left and its exceptional experience with associationalism; as a result, it provides a nice comparison with Lima-Cercado and La

¹ The richer districts cluster between 0% (Miraflores, San Isidro) and 13% (La Molina) of blocks at socioeconomic levels D and E. The popular class districts are distributed between 36% (Lima-Cercado) and 76% (Carabaylo) of blocks at socioeconomic levels D and E.

² The sampling universe also excludes small outlying districts with less than 2% of the total population of Metropolitan Lima. Most of these districts are very small beach towns in Lima’s southern cone.

Victoria, which score lower in this regard. El Agustino was selected because it has an interesting background as a strong leftist district in the 1980s and a strong Fujimorista district in the 1990s, and because of the many existing studies of its political and social characteristics.

Identification of the Target Population

The target population for the Survey of Lima Residents was individuals of 18 years and older who reside in any of 37 municipal districts of Metropolitan Lima. For budgetary and logistical reasons, we excluded from our definition of ‘Metropolitan Lima’ the small outlying districts that are relatively inaccessible and that contain less than 2% of the total population of Metropolitan Lima.³

Selection of Respondents

The selection of respondents for the Survey of Lima Residents was conducted by Apoyo Opinión y Mercado, the firm that administered this survey. The firm randomly selected households from its database in two stages. First, it randomly selected 800 households from all districts of Metropolitan Lima. Second, it randomly selected an over-sample of 85 additional households from each of the eight focus districts identified above. Once the households were selected, interviewers used the closest birthday method to select a respondent at each household. The same methods were used as replacements for households where the respondent refused to be interviewed or where the interviewer could not reach the respondent after a minimum of three repeat attempts.

INTERVIEWER CHARACTERISTICS

The interviewers for the Survey of Lima Residents were employees of Apoyo Opinión y Mercado. All had previous experience interviewing and all were required to attend a two-day interviewer training session and pass written and oral exams to begin fieldwork.

³ The excluded districts are: Ancón, Chaclacayo, Cieneguilla, Lurigancho, Lurín, Pachacamac, Pucusana, Punta Hermosa, Punta Negra, San Bartolo, Santa María del Mar, and Santa Rosa.