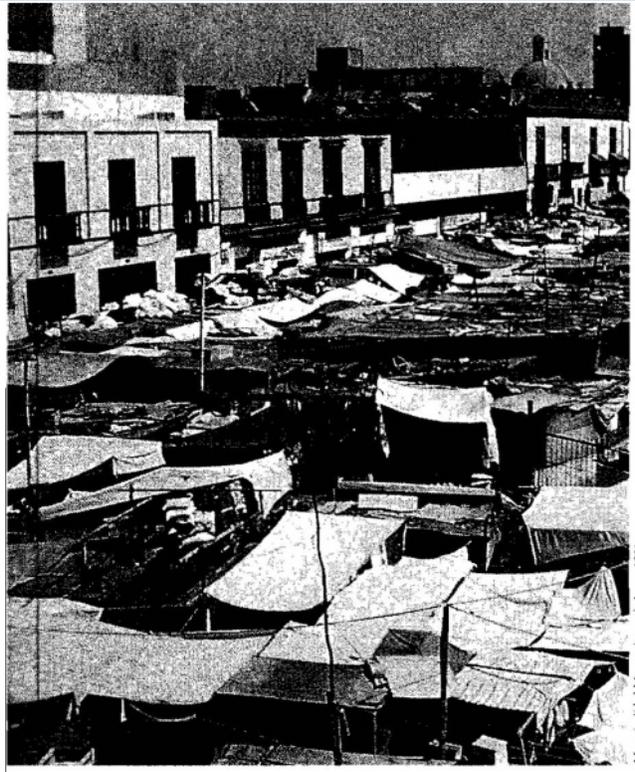


# A New Beginning

The Reform of the Historic Center and Central Market in Lima, Peru



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## Introduction

The purpose of this report is to analyze the reforms carried out in the historic center of Lima, Peru and its Central Market [*El Mercado Central*] during the 1990s, and to discuss possible ways in which the lessons learned from this particular process could inform the Government of Cartagena's choices regarding the Bazarto Market. This report begins by providing some background on the reforms, particularly in regards to the expulsion of informal vendors by the government in the 1990s. This report will first note the physical attributes of Lima's Central Market and Historic Center, discuss the history of the market, and identify four categories of informal vending which occurred in this area. The body of this report focuses in more detail on the increasing conflicts of interest within the Historic Center, the city government's approach to resolving these conflicts, and the ultimate outcomes of the government's intervention. In conclusion, a number of lessons learned from this review are extracted for consideration in regards to the Bazarto market project in Cartagena, Colombia.

## Background

With a population of approximately 7.7 million inhabitants, Lima accounts for more than 27% of Peru's population (INEI 2007). The area of Lima is approximately 60,000 hectares and it is politically divided into 43 districts. The metropolitan area of Lima contains 30 of these districts; the remaining 13 are sparsely populated and primarily rural (Wikipedia). The Historic Center of the city is approximately 900 hectares (INEI 1993).

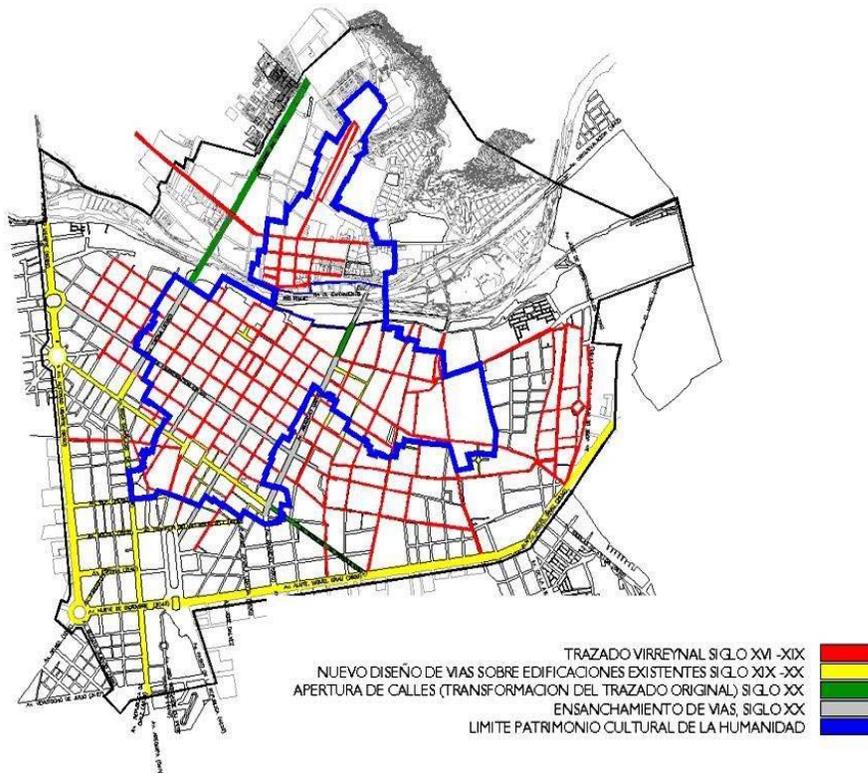


Figure 1: Map of Historic Center, Lima, Peru

Lima's Central Market was established in 1535, coinciding with the founding of the city. Until 1820, the market was located in the city's Central Plaza [*Plaza de Armas*] and served as the primary location for commerce in Lima. Between 1820 and 1850 the market was relocated twice, ultimately to a site spanning one block and located just outside of the city's Historic Center. The final relocation of the market in 1850 included the construction of a formal building in the European tradition, which was intended to provide a more sanitary environment (Absolut Peru). The building was rebuilt to its current configuration in 1964 following a fire. Formal vendors located inside the building, while informal vendors crowded outside of the market, blocking sidewalks and roads (De Soto 1989).

Lima's Central Market is located on the outskirts of the city's Historic Center and is sandwiched between this area and Chinatown. Over the course of many decades, informal vendors congregated in the Historic Center, virtually transforming the area into a large open market. By the early 1990s, there were approximately 20,000 informal vendors in the area. While the modern structure of Lima's Central Market established formal vending stalls in a protected indoor space, informal vendors surrounded the building, making the Central Market an ad hoc extension of the informal vending situation in the Historic Center. Thus, the transformation of both the Central Market and the Historic Center will be considered together for the purposes of this report.

Maaria Seppänen identifies four main categories of vendors within the Historic Center of Lima (Seppänen 1998):

- 1) Very small scale sedentary vendors, who had customary spaces they would occupy. This group is composed primarily of middle-aged and elderly women who set up their goods horizontally to demonstrate abundance and also as a way to anchor themselves to a specific location.<sup>1</sup>
- 2) Ambulatory vendors selling goods ranging from fruit to clothing. Some vendors sold from blankets that could easily be wrapped up to be moved quickly. Others had carriages or tricycles. The former blocked sidewalks, whereas the latter impeded movement on streets.<sup>2</sup>
- 3) Larger scale sedentary vendors with permanent vending stalls and carriages where they moved, sorted, and stored their goods. Most rented spaces to keep their carriages close to their stall overnight. There were only a few of these types of vendors in the historic center.<sup>3</sup>
- 4) *Chacales* are vendors who set up outside of formal shops selling similar goods (e.g. selling shoes informally outside of a shoe store). In many cases, this type of informal

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<sup>1</sup> They can be broken up into three subgroups: a.) Home baked goods and food. Most likely to be indigent, least wealthy and not organized. Would sell sitting on the ground or on small stools. b.) Candy and cigarettes by the unit. A bit better off than first group. But, still unlikely to be organized and would sell sitting on the ground or on small stools. c.) Religious souvenirs. More likely to be organized and would sell from small tables. Also, at the time of reorganization, this group was more likely to be tolerated because their goods were seen as "traditional".

<sup>2</sup> This group was pushed out of the city center even before the official reorganization was announced. But, they were the focus of "relocation efforts." Some of these vendors were organized.

<sup>3</sup> To remain there following the reorganization, they had to change their merchandise to newspapers/magazines. These vendors were strongly organized and most of their associations were recognized by ProLima.

vending is supported and encouraged by formal vendors who utilize it as a tax-free outlet for their goods and as a means to increase their customer base. This practice is a reflection of the complex relationships between formal and informal vendors (Seppänen 1998).

It is also important to note that surveys of informal vendors in the historic center of Lima reflect that most informal vendors do not live in this area, and see it solely as a place of business (Seppänen 1998).

Prior to the 1990s, the Central Market and the informal vendors served a diverse clientele. The most important customers for informal vendors in the Historic Center were the residents of the area, those who commuted into the Historic Center for formal employment,<sup>4</sup> and the inhabitants of nearby shantytowns, especially those in the northern part of the city (Seppänen 1998). Even now, more than 70% of Lima's population utilizes the 1,300 "traditional" markets, such as the Central Market, to purchase food and consumer goods. This is in part due to the limited number of supermarkets in Lima.<sup>5</sup> Compared to the other Latin American country capitals, Lima has the second lowest number of supermarkets, with only 72 (Lopez 2009).

Associations of vendors in Lima are usually arranged according to geographic area. Two of the most important organizations representing informal vendors in Lima are the Federation of Street Vendors in the Central Market and Adjacent Streets (FEVACEL) and the Federation of Lima and Callao Street Vendors (FEDEVAL). Created in the 1960s, the organizations gained momentum throughout the 1970s (de Soto 1989).<sup>6</sup> Three key elements that help to determine if a group of vendors will organize into an association include co-location, product specialization, and the tenancy of permanent stands (Seppänen 1998). Thus, ambulatory or small scale roaming vendors were less likely to organize.

These associations have played, and continue to play, an important role in the reform process. While the informal vending associations successfully resisted vendor expulsion throughout the 1970s and 1980s, the city government began a successful campaign to relocate vendors in the 1990s. There are two primary factors that may have weakened the effectiveness of the associations at this time. Along with a change in the city's administration there was a major push for the construction of modern mall-type shopping structures. This created a general momentum towards modernization that was perhaps more difficult for the informal vendors to challenge. Secondly, the designation of the Historic Center as an UNESCO [*United Nations Educational Scientific and Cultural Organization*] World Cultural Heritage Site in 1991 created additional pressure to restore the area and clean up the streets. The following sections will address this pressure and the responses to it in more detail.

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<sup>4</sup> Data from 1993, the most recent available, estimates that the city center had a population of 183,074, and that there were 200,000 commuters into the center of the city daily (INEI 1993).

<sup>5</sup> In the 1960s the first supermarkets were opened in Lima, but the dictatorship of General Juan Velasco impeded their growth (Lopez 2009).

<sup>6</sup> For an in-depth review regarding the history of informal vending in Lima see De Soto 1989, chapter 3.

## **An Escalating Problem**

Globally, throughout the mid- to late twentieth century, the rate of rural-to-urban migration increased rapidly. The same held true for Lima, where both economic circumstances and violence in rural areas of Peru resulted in a massive influx of people into the capital city. Many of these people came to the city without the skills necessary for formal urban employment and thus found their best option to be selling goods through informal channels such as street peddling and temporary stalls. Through the 1990s, the central district of Lima became saturated with informal vendors and by 1996, the situation within the Historic Center had become unmanageable. The public roads, streets, parks and squares were occupied by approximately 20,000 street vendors; the district had transformed into a massive street market. Buildings and monuments were surrounded by vendors, making these structures virtually inaccessible despite their continued importance for municipal and administrative business. Streets were so full of stalls that these thoroughfares were impassable by vehicle, and often barely passable on foot. With the increasing chaos, and associated decline of public services, many residents and formal businesses left the area, further enabling the decline of the district. Over the course of the late-80s and early-90s the historic center slipped into deeper and deeper physical, economic and social decline (Días Velarde 2001).

At the same time, there was a movement throughout Latin America to reclaim and revitalize the historic centers of capital cities so that they could serve as:

- Hubs of social, residential and economic activity that are safe and clean for residents and visitors.
- Districts that testify to the social and cultural history of the city through architecture and urban planning, and contribute to the nation's cultural identity.
- Districts that reflect the historic prominence of the city and nation, and provide a backdrop from which to understand the contemporary position of the city and nation on a global stage. (Días Velarde 2001)

Concurrently, and as part of this movement, the historic district of Lima was designated as a UNESCO World Cultural Heritage Site in 1991. The dissonance between the image of a historic center worthy of this designation, and the reality of degradation in the area became increasingly poignant, and the government began to strengthen its restoration efforts.

### **The Process of Reform**

In response to the escalating problems in the Historic Center, a set of regulations was drafted in 1991 by Patronato Lima, a private heritage trust within the city, and formally adopted by the municipality in 1994. These regulations stipulated that the historic center would be subject to the restoration of old buildings, the removal of "footprints" of modernization, and the prohibition of street vending and commercial activities aside from tourist oriented goods. Hotels and tourist shops would be allowed to operate along with certain types of street vending as long as the vendors were "appropriately" dressed. Street vending of groceries and other household goods would be prohibited (Seppänen 1998).

Beginning in 1991, the government began removing vendors from the Historic Center and surrounding streets, with tear gas and police. In 1992, some vendors resisted by filing a formal legal complaint which sought to use habeus corpus to argue against efforts to make

street vending illegal. Additionally, the new rules disallowed the storing of vendor's carts in the area. The lawsuit argued that this illegitimately nullified a private contract between those who rented space to vendors and the vendors with carts. The complaint also alleged that the designation of the center as "historic" was illegal because it infringed upon constitutional rights regarding how public property could be utilized (Seppänen 1998). Though this complaint was thrown out due to a technicality, it should be noted that the complaint had real potential to create delays or even halt the project indefinitely.

In 1996, the Municipality of Lima stepped up measures to recover the area in a series of actions known as the "reorganization" of the city center; surpassing the more limited-scope efforts of previous administrations. Under the leadership and support of Mayor Alberto Andrade, a strategic plan was formulated with three overriding goals: order, cleanliness, and safety. Targeting the Historic Center was key to the plan, which was designed to "guide the reorganization of the city through intervention in the central, and historically important area" (Días Velarde 2001, 351). Specifically, the Municipality planned to retake and revitalize the public spaces occupied by street vendors by relocating and incorporating them into the formal economy, thereby "improving their socio-economic conditions" (UN Habitat 2000). The central market building was also renovated in order to accommodate vendors in a restored, clean, mall-like structure (Espinoza-Toro 2009).

Despite their efforts to smooth this transition in terms of public opinion and vendor resistance, municipal policies were met with significant opposition. The vendors' associations, which totaled 236, organized themselves into three groups. Their leaders were responsible for interacting with municipal authorities with the overall objective of avoiding relocation attempts. They argued that they would be left without work and in extreme poverty, as selling goods on the street was their only source of income. The government's relocation efforts began in 1996 in Jirón Lampa, which served as the principal means of access to the Historic Center. Jirón Lampa had more than 2000 street vendors in the area. These vendors generally had fixed locations and were considered to have significant financial capital. Within a month of the initiation of relocation efforts, some vendors were resisting and refusing to leave. However, in 1997, after about a month of confrontations and pressure from the municipality including the removal by force of some vendors, they moved to the sites secured by the city in coordination with the private sector on the outskirts of the Historic Center (UN Habitat 2000, Espinoza-Toro 2009).

Whereas public opinion showed significant skepticism with regards to the recovery and relocation process due to the failed efforts of previous administrations, the success of the first intervention shifted their perceptions (UN Habitat 2000). Municipal reports suggest that dialogue was maintained between city officials and vendor organizations throughout the process, and once the preliminary conflict was overcome and various groups of vendors were relocated, municipal efforts had sufficient momentum to assure that the initiative be completed successfully and coordination with vendor associations (Días Velarde 2001). Furthermore, the whole process was accompanied by a series of municipal strategies aimed at building support for city initiatives. A public relations campaign was launched in an effort to build citizen awareness of the need to restore the Center, affirm municipal authority, and clarify misconceptions regarding the population that would be affected. When the recovery of the Historic Center began with the Plaza de Armas, now the Plaza Mayor, a site of

particular cultural and historical importance to the city, the mayor held a party to inaugurate its new form and solidify public approval of the initiative (Días Velarde 2001). Staff members also built upon their contacts with the street vendors to discuss city offers of permanent legal, technical, and financial support in acquiring new spaces and relocating outside the Historic Center. The administration also initiated activities designed to repair and revitalize the newly unoccupied spaces, which served as physical reminders to the public of the importance of the recovery effort. Overall, nearly US\$7 million of municipal funds were invested to achieve the aims detailed in the plan, in addition to personnel support from the Attorney General, the Public Defender's Office, the Prefecture and the National Police. Private investment reached US\$59 million in the construction of 50 shopping centers and markets open to vendors, with US\$5 million allocated to the adaptation and construction of buildings within the Historic Center (UN Habitat 2000).

### **Analysis of the Outcomes**

In the 1990s, the expulsion of informal vendors from the historic center changed the layout of the Central Market and the demographics of its customer base. Today, the Central Market is well-organized and clean. Informal vendors have been largely removed from the premises. And, as demonstrated recently during the 2009 holiday season, the government makes good on threats to close down the market when regulations are broken, such as not keeping pedestrian corridors clear within the market (Municipalidad de Lima 2009). Today the clientele of the Central Market is predominantly middle class. On a usual day, the number of patrons of the Central Market can reach up to 60,000. During this past holiday season over 500,000 people were shopping in the Central Market during the weekends at peak hours (Andina 2009). Meanwhile, the number of informal vendors in the Historic Center of Lima has dramatically decreased since the early 1990s.

It is interesting to note which stakeholders were the winners and losers of the Historic Center reforms. The intervention was internationally hailed as a best practice by UN Habitat, and has been considered a very successful example of the recovery and revitalization of important urban public spaces. Areas and structures that had fallen into decay are now accessible to Lima's citizens, which marked the achievement of one of the central goals of the strategic plan for the Historic Center and the Andrade administration (Días Velarde 2001, UN Habitat 2000). Another clear beneficiary of the market renovation was the middle class shopper. While the Mercado Central and its surrounding area was initially a cheap place to purchase goods, it was also messy, disorderly, and full of petty theft. One interviewee stated that the goal of shopping in the old Mercado Central was to, "get your stuff, don't get robbed, and get out." It was a place where shoppers were always on their guard against pick pockets and had to rely upon their survival skills. With the new market, the government successfully created a clean, safe space for commerce. The new market has a neat and orderly feeling, much like Boston's Faneuil Hall. This was primarily achieved by installing police and hiring cleaning staff. Consequently, the market is an oasis of security and cleanliness, a sharp contrast to the sea of chaos typically found in Lima's street scene, which the same interviewee described as a place where you get fish smell on your shoes, walk through crushed watermelons in the streets, and see hungry children running about. The New Market is now a place to go walk about and to see and be seen (Espinoza-Toro 2009).

For those with lower incomes, the results of market revitalization are mixed. Before the Mercado Central was formalized, it cost less for customers to shop there, in part because the vendors did not pay to have stall space. At the time, the Mercado Central was the only major market in which low-income residents of Lima could afford to shop. On the one hand, low-income people lost the Mercado Central as a location to shop for their daily needs. However, once the original market was revamped, other cheap, informal and formal markets popped up around the city, providing other locations for the procurement of cheap goods. More research would be needed to determine if similar prices are found at these new informal markets, if there are additional costs to customers in travel and time, and if there are social costs to dispersing the low income economy to multiple, less central locations. Regardless of how much the low-income community lost from the market revitalization, they did also gain in the form of the new space that the Mercado represents. Those with low-incomes use the Mercado Central in much the same way as the middle class do; it is also a place to stroll about and to buy something special to eat. However, it is also important to note that part of the success in making this space accessible can also be attributed to the economic upswing that was occurring at the time of the reform.

Obviously, informal vendors who were removed from the area permanently did not directly benefit from the market revitalization. Though the government won the support of the silent majority of the population by framing the reform as something that was needed to recover the center of Lima as a historic site, some vendors were still against it and were removed by force. One researcher states that, "[v]endors themselves viewed this as an eviction (using the term *desalojo* instead of *reubicación*)" and that the violent conflict with vendors primarily occurred in March 1997, the deadline for relocation, as the government secured the area. She continues, "while some groups benefited by the assistance the municipality offered to find a formal location for their businesses, many others were further marginalized and simply drifted elsewhere to continue selling in the streets" (Hall 2003). It should be noted, however, that the renovation of the Mercado Central did not prevent informal vendors from selling on its periphery. This is evidenced by a recent statement, put out by the Municipality of Lima, that it recently removed the informal vendors from the streets between Mesa Redondo and the Mercado Central in preparation for New Year's (Municipalidad de Lima 2009).

More research would be needed to determine if the vendors that were allowed to continue selling within the Central Market and the Historic District benefited from the renovation. Questions include if their incomes increased, if they had to work longer hours, if they lost pre-existing symbiotic relationships between formal and informal vendors, and if their security was enhanced.

### **Conclusion: Lessons for Bazurto**

While every city has unique dynamics, the following points were salient in the Lima case and are relevant to consider in planning future actions in Cartagena, Colombia:

**The informal sector is a heterogeneous group and as such, should not be treated as homogenous, with uniform interests and needs.** For example, the Director of the relocation project in Lima talked about the need for different policies and programs for different groups of vendors to address this hierarchy, which never happened in the relocation process. While the

strongest vendor associations and best-capitalized street merchants were incorporated into the process, the more marginal vendors were not incorporated nor were several of the smaller associations (Hall 2003)

**Potential symbiotic relationships between formal and informal vendors in the Bazurto market should be carefully examined to determine if only the informal vendors are relocated, what social capital is lost that existed between the formal and informal vendors and what implications will be for both the formal and informal vendors.** For example, in Lima, formal stores partner with informal vendors by supplying them with goods from the store which are sold just outside of the store.

**Consider carefully whether it is possible to permanently relocate vendors.** Informal vendors may repopulate the area after relocation efforts are completed as evidenced by Lima's efforts to once again clear the area around the Historic Center for New Years, or new informal areas could pop up. Therefore, it is important to consider what follow-up and long term actions the city is willing to take to address potential problems in the future.

**Garnering public support to effectively prepare for implementation and avoid last minute opposition is central.** Some effective approaches that can be inferred from the Lima reform process include:

- Anticipate what type of opposition may occur
- Execute a well thought out public relations campaign, including festivities or other events to kick-off the process and celebrate its successful conclusion
- Be cognizant of the fact the those not included in a public participation process or those stakeholders that remain disgruntled may successfully delay or permanently halt relocation efforts via lawsuits and legal action. Therefore it would be advantageous for governments to ensure that there is an adequate stakeholder and public participation process that includes representatives of all affected groups.
- Carefully define objectives and criteria for evaluation. As the Lima example shows, results were mixed for different groups, and the government should acknowledge what groups it is aiming to help and what tradeoffs will be considered acceptable as a result.

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