

# The Informal Economy after the Peace Agreement: Innovations in Cali - Colombia



# Project Background

This study was undertaken as part of a 2.5-year research project on *Economic Recovery in Post-Conflict cities: the role of the urban informal economy*, funded under the DFID-ESRC Joint Fund for Poverty Alleviation Research (Project ES-M008789-1), updated with UN-Habitat through fund 32FOD TFFdtnEkedPjOthr. The research explores the role of the urban informal economy in poverty-reduction, peace-building and development in post-conflict cities, and its scope to provide both livelihoods for the extreme poor and a platform for economic recovery. In Cali, an additional focus is to examine policy innovation in dealing with conflict and the informal economy.

Post-conflict recovery is a long and cyclical process and this research examines cities with different drivers of conflict, including urban areas in post-civil war settings, and cities affected by protest, violence or ongoing turf wars. The research explores the drivers of conflict and links to the informal economy, examining both structural and individual factors that support/inhibit the informal economy's role and growth in post-conflict settings. Fieldwork is being carried out in five cities: Cali, Dohuk, Hargeisa, Karachi and Kathmandu, exhibiting different facets of conflict and violence.

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# 1. Introduction

## *Examining the response of the urban informal economy after the Peace Accord and current development challenges.*

### 1.1 Introduction

This report summarises the findings from research in Cali in 2018 and 2021 to examine the response of the urban informal economy (IE) after the peace Accord of 2016, and the unique approach to policy innovation in Cali.

In post-conflict cities, and many developing cities across the globe, working in the IE is an important coping strategy. Worldwide, the contribution of urban informal enterprises to gross domestic product (GDP) and jobs is substantial. Even when political stability is assured, informality remains a structural characteristic of low-income economies, yet local and international policies see the IE as a temporary solution and rarely provide supportive and enabling environments for its development. In post-conflict and post-crisis settings, the IE's role is vital in providing livelihoods during recovery and in replacing basic services lost during crises.

Cali was selected to examine the impact of violence on the urban area. Historically, there are two main sources of conflict in Colombia: civil armed conflict between the national government, right-wing paramilitaries and left-wing guerrillas which was concentrated in rural areas; and drug-related conflict between competing cartels which predominantly occurred in the urban environment. Cali was affected by both, particularly in the 1990s and early 2000s as increasingly violent armed conflict in rural areas resulted in the mass displacement of people to cities, and the Cali drug cartels used homicide and violence to establish power over territory and drug markets in the city. In the late 1990s, the national government succeeded in dismantling the large drug cartels, but by the early 2000s smaller, multiple criminal gangs had emerged in Cali, formed from former cartel members and dissidents of both right-wing and left-wing groups from the civil conflict. These gangs continued to fight for territory and trade illicit drugs in low-income urban areas and their growth was accompanied by an increase in urban crime.

Since the local government-led fight against criminal gangs between 2013-2015, and the Peace Agreement of 2016 which brought an end to civil conflict in Colombia, many of the worst facets of urban violence in the city, such as homicides, have decreased. The period of 2013-2015 is therefore taken as the turning point studied in this research. However, in the transition period, Cali still suffers from high levels of violent urban crime, widening inequality, social tension and weak governance. This experience of insecurity means that Cali exhibits dimensions of fragility typical in cities transitioning from a phase of conflict.

Thus, the core focus of interest for the research in Cali is to explore the role of the IE in periods of conflict, its evolution and its current economic contribution. The research team also sought to understand how different livelihood routes reduced the impact of violence, crisis and instability on poor people, and the role of the IE and innovation in economic recovery, as a basis for improving development interventions in Cali. Within this framework, the report addresses three main questions:

- How does the IE operate in Cali today and what are the main challenges or problems that IE workers face?
- What were the short-term and long-term impacts of urban violence on the urban IE, and how did it respond? How does this response contribute to improved development outcomes?
- How can support for the IE and policy innovation contribute to wider development initiatives of poverty reduction and economic growth?

### 1.2 Structure of the report

Following this introduction, Chapter 2 provides a short background to Cali; it describes the political and socio-economic conditions in the city, current policies and attitudes towards the urban IE, and provides an overview of the periods of urban violence up to 2015. Chapter 3 briefly discusses the three-stage methodology used in the fieldwork. The findings of the report are then set out in two chapters: Chapter 4 explores the characteristics of the IE in Cali today. It builds a profile of the IE workers and businesses interviewed, and the challenges and problems that the IE faces, before concluding with a commentary on potential protections to strengthen livelihoods. Chapter 5 discusses the impacts of violence on urban society and evaluates how the IE responded to the conflict, before exploring the change in business environment since 2015 and how the IE has contributed to recovery and development in the city. Chapter 6 examines innovations in urban governments, and proposes further recommendations to support the urban IE in Cali.

*Piratas motorcycle taxis, Siloé, Cali*



## 2. Setting the Context: Conflict & the City

***Conflict in Colombia is diverse, multi-faceted and intersecting and has led to widespread violence and insecurity in the city of Cali.***

### 2.1 Introduction

This chapter gives a brief overview of the periods of violence affecting the city before 2013 and in the transition period since 2016. It also summarises the political and socio-economic characteristics of Cali today and the policy situation regarding the urban IE.

Cali is the third largest city in Colombia, with a population of approximately 2.4 million. The Spanish founded the city in the sixteenth century and for centuries it was a quiet backwater with a small population. By 1800 the city had around 7,000 inhabitants. During much of the nineteenth century it was the centre of a sugar plantation economy and the largest landowners held economic and political power. Industrialization in the twentieth century led to a more rapid urban growth. From the 1940s to 1980s, despite the civil conflict in rural areas, Cali's economy grew due to industrial expansion and modernisation of the agricultural sector. The expansion of sugar cane, coffee and paper industries cemented Cali and Valle del Cauca as one of the major development areas in the country (Londoño & Zamorano, 2006). Today, Cali is one of the main industrial centers in Colombia with national and multinational companies involved in a range of sectors including chemicals and pharmaceuticals. The city contributes around a seventh of national GDP (Escobar et al., 2013).

### 2.2 Conflict in Cali and Colombia

Historically, Colombia has experienced different types of conflict that vary in their causes and impact on urban areas. Conflict in Colombia is complex and involves a wide array of actors and interests including left-wing guerilla groups, right-wing paramilitary groups, drug cartels and criminal gangs (known as *pandillas* or *bandas*). Their presence has turned violence and crime into a daily challenge which particularly affects the poorest groups of the population (Peace, 1999), and countless resources from national and local government, international agencies, NGO's, academia and civil society have been deployed in crime prevention.

Generally, there were three types of conflict which affected Cali in the period before 2013: civil conflict, mostly based in rural areas of the country; drug trafficking and cartel wars, which began in the 1970s and intensified in the 1990s; and gang-related violence, which was born out of the proliferation of cartels into smaller criminal organisations in the early 2000s, and whose presence have strengthened crime and violence in the city up to 2013. These conflicts will be discussed in more detail below.

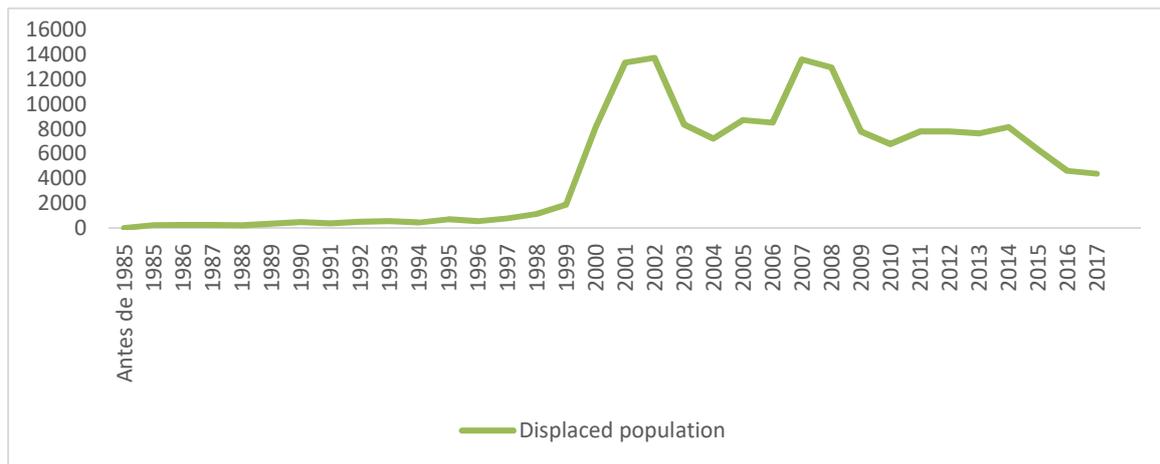
#### 2.2.1 Civil armed conflict

The Colombian civil war had its origins in political violence in the 1940s around the perceived exclusion of the Liberal Party by the Conservative Party. The assignation of Liberal politician Jorge Eliécer Gaitán (promotor of land reform and social inclusion positions which fell outside the narrow politics of the two dominant parties) resulted in violence in Bogotá. The next decade, known as *La Violencia*, was the most violent in Colombian history as the Liberal and Conservative parties formed militias which slaughtered their opponents. A peace deal in 1956 and agreement to share power between the two parties led to the formation of the National Front (Frente Nacional) which led to political exclusion of anyone outside the two-party system (non-ruling elite and rural population).

Civil conflict became entrenched in 1964 with the formation of guerrilla groups, the Revolutionary Armed Forces of Colombia (*Fuerzas Armadas Revolucionarias de Colombia*, FARC) and the National Liberation Army (*Ejército de Liberación Nacional*, ELN) sought to challenge authority of the *Frente Nacional*. Right-wing paramilitary groups with links to the state military emerged in the 1980s as landowners organised to protect themselves from t guerrilla groups. The largest was the United Self-Defense of Colombia (*Autodefensas Unidas de Colombia*, AUC). violence became a country-wide problem. In rural areas, FARC used violence, kidnapping, extortion to raise income, while the government (with links to right-wing paramilitaries) was accused of human rights violations in confrontations with guerrillas. Large numbers of displaced people from rural areas, particularly the Pacific region, moved to cities, which from the 1990s onwards increased urbanisation. In 2016 the government and FARC signed the historic Peace Agreement.

The recent history of the Cali is marked by violence and crime. In 1990 the city had about 1.7 million inhabitants, and by 2015 the population had grown to about 2.4 million. According to some estimates, almost half of the population growth is due to the resettlement of large population groups affected by conflict in rural areas (Poveda, 2011). The city became internationally known in the 1980s to 1990s for its ‘narco economy’, as the centre for two major drug cartels and export hub for drugs, particularly to the North American drug market (Kenney, 2007). During this period, murder rates escalated, making Cali one of the most violent cities in the world. The decade of the 1990’s saw the highest peak of crime and violence in the city. Armed conflict violence was exacerbated by the influx of displaced people from the Pacific region (Figure 2.1). Migration increased social tension, and widened inequality, as salaried employment already scarce, became a privilege for a few (Poveda, 2011).

Figure 2.1: Displaced populated (registered) settled in Cali 1985-2017



Source: Unidad para la Atención y Reparación Integral de Víctimas

## 2.2.2 Drug-related conflict

The legacy of displacement and drug trafficking created an environment that led to a complex and evolving conflict. During the 1960s to 1980s drug trafficking was established as the most profitable illegal activity in the country. Marijuana and the more profitable cocaine led to the creation of ‘drug cartels’. The Medellín Cartel and Cali Cartel were the most powerful organisations involved, with a hierarchical structure and clearly defined command regimes.

During the 1990s, the boom in drug trafficking and competition over market control by rival cartels brought unprecedented levels of crime and violence to Cali. In 1990s Cali was amongst the ten most violent cities in the world with an urban homicide rate of more than 100 per 100,000 habitants per year. This decade marked the time with the highest peak of crime and violence in the city (Otero, 2012; World Bank, 2002). According to official sources, between 1985 and 2017 Cali had over 170,000 homicide victims (*Unidad para la Atención y Reparación Integral de Víctimas*), but due to significant under-reporting, the number may be significantly higher. The drug trade and drug money permeated the city to such an extent that the borderline between legal and illegal sectors became compromised and social capital was devalued (Betancourt and García 1994; Duncan, 2009; Salazar, 2001).

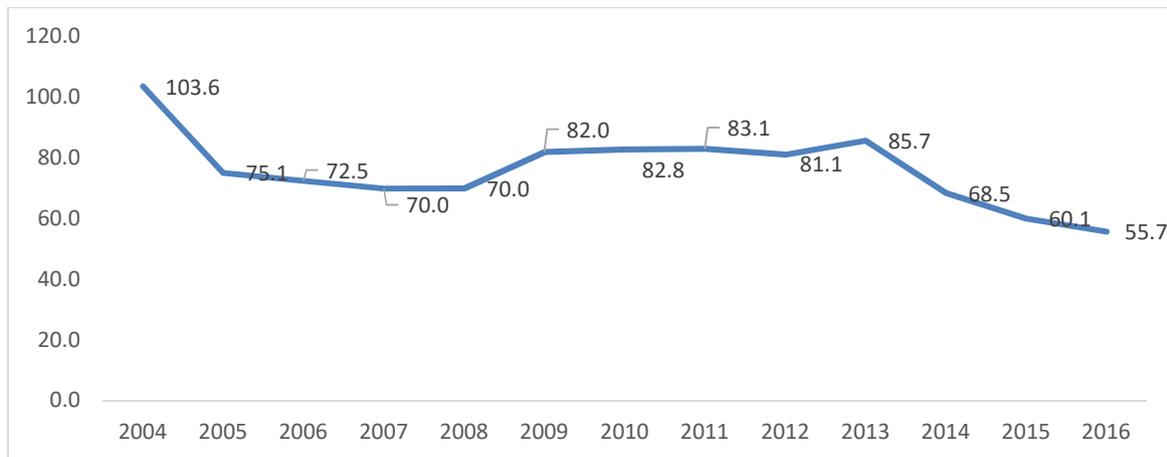
## 2.2.3 Criminal gangs

The drug cartels dismantled by national government at the end of the 1990s, and homicide rates reduced. During 2000-2012 large drug cartels dismantled and proliferated into smaller, multiple criminal gangs – formed from former cartel members and dissidents of both right-wing paramilitaries and left-wing guerrilla groups (Prieto 2013). These criminal gangs, known as BACRIM<sup>1</sup> are the byproduct of several conflicts and processes. BACRIM are consist of former cartel members, dissidents of right-wing armed groups (*paramilitares*) and dissidents of left-

<sup>1</sup> BACRIM (*bandas criminales*) was a term created by the former President Alvaro Uribe to describe drug-trafficking organisations created after 2006, and therefore excluded from the peace process. BACRIM are the third generation of Colombian drug trafficking organisations, after the first generation Medellín and Cali Cartels, and second generation of smaller cartel federations, notably the Norte del Valle Cartel (NDVC) an association linked to the former Cali Cartel (InSight Crime, 2014)

wing armed groups (*guerrillas*) (Prieto, 2013). BACRIM run several types of crime rackets, including drug trafficking, contract killing (*sicarios*), money laundering, smuggling, extortion (*vacunas*) and illegal money lending. Gangs fought for territory in low-income districts and continue trading and trafficking illicit drugs. Homicides were largely attributed to gang-related crime and fights for territory between different gangs and the fight against gangs between 2013-2015 gradually reduced homicide rates in city (Fandiño-Losada et al., 2018).

**Figure 2.2 Homicide rate in Cali per 100,000 inhabitants**



Source: Instituto Nacional de Medicina Legal y Ciencias Forenses

### 2.2.3 The Peace Agreement (2015-2016) and fight against gangs (2013-2015)

#### The Peace Agreement (2015-2016)

The 2016 Peace Agreement was controversial and has been only partially implemented. Negotiations began in 2012, an agreement approved in August 2016. This was put to a national referendum in October, where it was narrowly rejected, but it revised and ratified by both houses of Congress in November 2016. The Peace Agreement ended 52 years of conflict that had left over 220,000 dead and over six million displaced from remote and rural areas (International Crisis Group, 2010; 2016).

#### Fight against gangs (2013-2015)

Inspired by epidemiologist, Dr. Rodrigo Guerrero, elected as mayor first in 1992 and then for two terms from 2008-2015, the city used an epidemiological approach to urban violence prevention through the Program DESEPAZ, which sought an inter-agency approach sharing data and addressing the causes of homicides (Wilson Center, 2017). Although the approach has significantly reduced homicides over the past few years, the rate per 100,000 habitats remains high compared to other cities in Latin America, and robbery and extortion are commonplaces in certain districts of the city.

## 2.3 Political and socio-economic characteristics of Cali

Despite the intensity and the length of different conflicts, the country has experienced economic growth, and development of urban areas which were less affected by conflict than the countryside. Since 2013 institutions have strengthened, poverty has reduced and there are several mechanisms and interventions in place to reduce the high rates of crime and violence (International Crisis Group, 2016).

However, urban conflict both facilitates and exacerbates underlying systematic issues which perpetuate cycles of violence. In Cali, although violence has declined, years of insecurity have entrenched ethnic inequality, geographic and socio-economic disparity, a breakdown of social trust, and continued urban violence.

### 2.3.1 Ethnic inequality

Cali is a multi-ethnic city. Almost half the population is Mestizo (mixed) (50%), 30% self-identify as White, 25% as Afro-Colombian and the remainder as Indigenous/Other. A large proportion of Afro-Colombians and Indigenous people live in low-income areas of the city. Likewise, Afro-Colombians and Indigenous populations report lower educational attainment, lower employment rates in the formal sector (23% Afro-Colombian and 8% Indigenous respectively) and lower levels of income (about 27% earn less than a monthly minimum wage) (POLIS, 2016).

### 2.3.2 Geographical and socio-economic disparity

The legacy of drug trafficking and the armed conflict have created significant socioeconomic disparities within Cali. The urban poor live in areas with high rates of crime and violence, and low coverage of basic services.

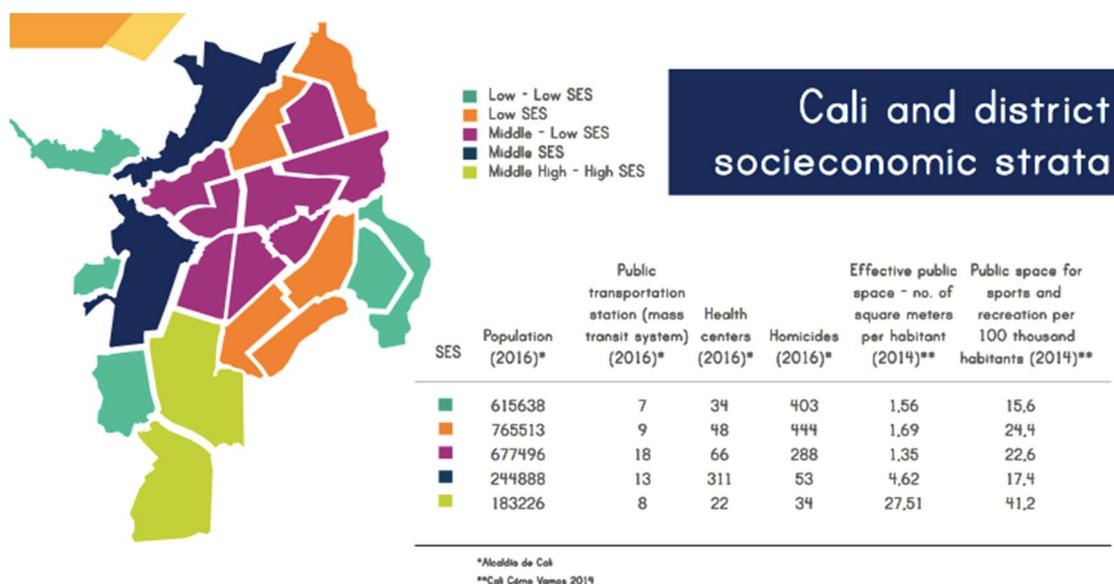
In Colombia, households are classified according to Socio Economic Strata (SES) (*estratificación socioeconómica*) and districts given a strata scale from 1 to 6 – 1 for the poorest and 6 for the richest. The classification is used by the government to target social spending and subsidise electricity, sanitation and water, so that that residents in the ‘higher’ strata districts pay more for utilities and services which subsidises ‘lower’ strata residents (DANE, n.d).

Cali has 22 districts grouped into five of the six socioeconomic strata:

- Low-low SES (Strata Level 1) are the most deprived and poor neighborhoods, and many houses lack basic sanitation services.
- Low SES (Strata Level 2 ) are poor neighborhoods, but with most of the basic needs covered (potable water, electricity, sewerage).
- Middle-low SES (Strata Level 3) are districts with the most low-income working population.
- Middle SES (Strata Level 4) are middle class districts.
- Middle high/high SES (Strata Levels 5 & 6) are the most affluent districts.

In Cali, Low-low and Low SES districts host about 56% of the population, and have the highest homicide rates, the fewest health facilities per head of the population, and lowest ratio of effective public space per inhabitant. Figure 2.3 presents general characteristics of Cali’s SES districts, including safety and public service provision.

Figure 2.3: Socio-economic strata districts: composition and general characteristics



As Figure 2.3 shows, the *barríos* (districts) on the outskirts of the city (Low-Low SES) are characterised by poverty, crime and exclusion. There are two areas, Terrón Colorado (east) and Agua Blanca (west) that demonstrate the highest indicators of vulnerability (Cali Como Vamos, 2019). Terrón Colorado is located in the hills of the city with a large prevalence of slums and poor living conditions. Agua Blanca is near the Cauca river with high risks of flooding and natural disasters (Alcaldía de Santiago de Cali, 2018). Given land availability, Agua Blanca hosts the largest number of housing projects for housing projects for the poor and victims of armed conflict.

### 2.3.3 Territory, gangs and crime

Nowadays, criminal gangs remain the main source of crime and violence in Cali and homicides are attributed to fights for territory and organised crime (Fandiño-Losada et al., 2018). The *pandilla* (gangs) and *banda* (groups) are involved in:

- money-laundering;
- drug-dealing for the local market as the crackdown on cartels and international trading routes have hindered exports;

- informal money lending (*gota-a-gota*) with interest rates up to 25%, and violence in cases of non-payment.
- violent robbery
- street assaults, theft and petty crime (Martinez, 2017). In Cali, 31% of individuals surveyed declared that one family member or friend of the interviewed was assaulted or was a victim of street theft during the past year (CaliBRANDO, 2015).

As a result, 69% of residents surveyed in 2017 implemented some kind of security measures (CaliBRANDO, 2017).

## 2.4 Local government in Cali

Colombia is a democratic country with separate powers at the national, state and local levels. After the reform of the National Constitution in 1991, local mayors are elected democratically for periods of 4 years. In 1992, when Rodrigo Guerrero was elected as mayor, his term was marked by the high levels of crime and violence in the city due to the cartel wars. Guerrero implemented several measures to reduce homicides and was the promoter of surveillance systems to track homicides rates. This data-driven approach to understanding the location, causes and perpetrators of homicide have been pivotal in the policies and interventions on crime implemented in the recent fight against gangs. (Fandiño-Losada et al. 2018; Moloney, 2018).

### History of corruption and weak governance

After Guerrero's period, three elected majors were recalled due to allegations of corruption or irregularities in the election process. The absence of leadership meant there was little progress towards economic growth and poverty alleviation (World Bank, 2002). More recently, institutions have strengthened, poverty has reduced and there are several mechanisms and interventions in place to reduce the high rates of crime and violence country-wide (International Crisis Group, 2016). However, there are still low levels of institutional trust in Cali as a whole (CaliBRANDO, 2017).

### Fiscal performance

The 1998 financial crisis hit Colombia hard, and Cali suffered the most. Central government lacked resources to overcome the crisis and international creditors imposed an austerity plan on the city (Echavarría et al., 2002; World Bank, 2002). In 2002 the World Bank provided technical assistance to Cali's local government aimed at designing a 'city development strategy'. One of the major conclusions of this assistance was that Cali lacked the fiscal and human resources to execute many of its policies (World Bank, 2002).

A critical problem was inability of the local government (Alcaldía de Santiago de Cali) to collect local taxes from public companies (sanitation, water supply and telecommunication) which are one of the main sources of revenue for local government. Emcali, the public services company, and main source of local revenue, came close to bankruptcy in 2000 and central government intervened for 13 years (El País, 2013). In 2005, tax collection was outsourced to a third party, but the contract became a basis for corruption claims (El Tiempo, 2012). Compared to other cities in the country, Cali reports low revenue spending per inhabitant – lower than many mid-size cities in the country.

### Local government today

In 2012, former major Rodrigo Guerrero was elected again, and reduction of crime and recovery of public finances were at the top of the political agenda. Guerrero generally accomplished both, and improved the ability to improve fiscal performance through the collection of local taxes and control of Emcali (El País, 2015). His successor, Maurice Armitage Cadavid, retained most of the social and crime reduction policies implemented by Guerrero.

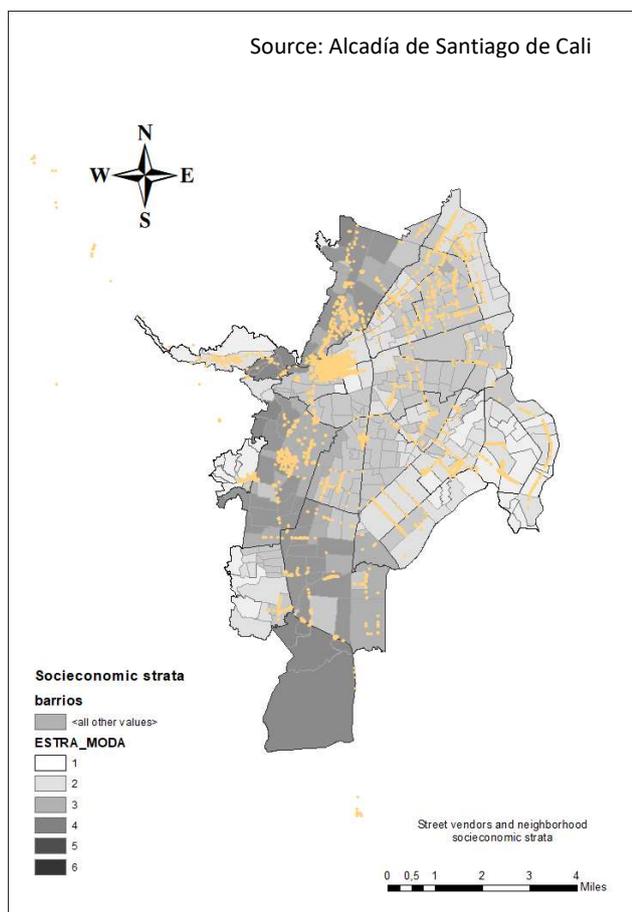
With crime and homicides at a historical low, and with more resources to invest in social policies, the city was on a path to recovery and economic prosperity, which enabled a strengthening of public administration, investments in poverty alleviation, and reactivation of the regional economy (Escobar et al., 2013). Various important initiatives were initiated, including:

- The city plan (*Plan de desarrollo municipal, 2012–2015* (Alcaldía de Santiago de Cali, 2012)
- MIO (*Masivo Integrado de Occidente* – the bus rapid transit system)
- TIOS (*Territorios de Inclusión y Oportunidades* - territories for social inclusion) a strategy by the Alcaldía implemented in the most impoverished districts of the city,
- Environmental programs for regeneration of parks,
- Promotion of cultural industries, particularly Salsa dancing (Wade, 1995; Waxer, 2010).

## 2.5 The informal economy in Cali

The informal economy plays a significant role in the job market in Colombia. About half of the working age population obtains their income through an informal economic activity (DANE, 2015). During the past two decades, the reduction of the informal sector has been a top of policy priority. Several laws and institutional reforms have been enacted. Between 2009 and 2012, 1.7 million informal workers were integrated into the formal economy, and the number of citizens contributing to social security (health and pensions schemes) increased by 23.5% and 24.3% respectively. Despite these efforts, the proportion of non-agricultural informal employment has only reduced by three percentage points, from 58% to 55%, between 2009 and 2013 (Gómez, 2016).

**Figure 2.4 Distribution of street vendors in Cali, 2019**



Cali, is characterized by a high percentage of socially and economically vulnerable people working informally, although the numbers of informal workers in the city are not known. They are involved in a wide range of occupations including *pirates* (informal transport services by car, motorcycle and bicycle), maids, construction workers, street vendors, trash pickers, and many other trades. Informal workers include four main groups: marginalized urban populations; people displaced from the rural armed conflict; tax evaders and criminal gangs.

Street vendors and trash pickers (*recicladores*) are the sectors for which there more information is available. In 2015 the local government conducted a census of trash pickers, finding over 3,000 people working in this sector. Workers in this sector are characterized by extreme poverty and vulnerability (Estrada et al, 2017). In 2019, the local government had an accurate count of street vendors, reporting 10,280 street vendors in the city (Alcaldía de Santiago de Cali, 2019). As shown in Figure 4, street vendors are spread out across the entire city (orange dots in Figure 2.4), but the largest spatial concentration of street vendors was reported in the downtown area, and neighbourhoods in the lower socio-economic strata.

In pursuing the formalization agenda, a critical problem is that a street vendor can earn same amount on average per month than employee in

formal sector (Martinez 2017). Furthermore, informal workers are covered by public health insurance/other subsidised programmes and have no incentive to move to formalised work, as the government cannot track if informal workers earn more than the average wage (Martinez 2017).

Nevertheless, informal workers face critical problems. They are excluded from formal economic structures, such as regulated banking systems and retirement plans. They remain outside the protection of labour laws, so there have no limits on working hours; no labour rights such as maternity leave, accident insurance, annual leave entitlement or transport subsidies; and no service bonuses such as overtime or social security schemes (Martinez 2017). In addition, they have difficulties in accessing secure operating space. In the absence of formal finance, a black market of payday loans (*gota-a-gota*) is rife, which provides lower transaction costs, and closeness to the community (Ashta, 2009). However, there is evidence that payday loans in Colombia are linked to criminal organisations (Miranda, 2016). For informal workers, particularly street vendors, *gota-a-gota* is the only resort for easy credit, but borrowers are exposed to outrageous interest rates and the violence displayed by criminal organisations in the city.

The intersection of poverty, vulnerability, armed conflict and crime in the informal sector has created an environment that leads to a complex urban conflict, with blurred lines between the legal and illegal, and a general culture of informality supported by deep social inequalities and crime structures. However, despite its prevalence,

relatively little known about informal workers in the city, i.e. their numbers and types of occupation they conduct. Information available from previous studies includes the following:

- Informal workers conduct diverse activities from *piratas* (informal transport car, motorcycle and bicycle), maids, construction work, street vending and trash picking.
- A study of trash pickers shows that by 2015, there were over 3,000 trash pickers (Estrada et al., 2017)
- There were over 1,500 street vendors in 2 out of 9 street vending locations in the city (Figure 2.4) (Martínez et al., 2018; Martínez et al., 2017; Martínez and Short, 2017).

There is no reliable information available about other sectors with a large informal workforce, for example construction, transportation or cleaning services. However, the official proportion of the informal sector according to the national statistic center in Cali was 48% of the work force by 2018 (DANE, 2019).

Navarro, waste disposal site



## 3. Methods

*This study adopted a mixed-method approach and used a combination of three key methods.*

### 3.1 Introduction

This chapter summarises the key methods employed during the fieldwork for this research. The study adopted a mixed-method approach and used a combination of three methods, outlined below. Where possible the findings from Cali have been linked to relevant points in the literature to show the extent to which the findings here reflect, or differ from, findings elsewhere.

### 3.2 Conflict-mapping and resolution

IE workers engaged in a diverse range of economic activity were selected to participate in a three-day participatory workshop using peace-building and conflict-resolution approaches. The workshop aimed to map the main urban actors involved in operation of IE value chains, and in its management and regulation in Cali, and the conflicts between those involved, in order to strengthen the capacity of workshop participants to articulate any challenges they face, acknowledge different perspectives, and identify potential resolutions to those challenges.

The workshop was co-facilitated by the NGO, Cedecur, and a peace-negotiator. There were 21 participants from different market sectors, including recycling, manufacturing, entertainment, construction, domestic work, vending and restaurants.

### 3.3 Informal economy analysis

In order to gain in-depth comparative information of individual experiences extended semi-structured pathways interviews were conducted with two groups. The first group consisted of IE workers in Cali today. The second included those who worked in the IE in Cali before the conflict resolution phases of 2013-2016. Most of the first group had also been working in the conflict-affected years so had experienced the impact of violence on their livelihoods.

#### 3.3.1 Interviews with IE workers today

Semi-structured interviews were conducted with 244 current IE workers in Cali - referred to as “current IE workers” throughout this report. The questionnaire was designed to elicit people’s experience of the IE; the challenges and problems they face; any engagement with local authorities; and the impacts of conflict. Questions fell under the following broad categories: people; business; links and networks (including engagement with local authorities); safety; and security. If they could, respondents were then asked to comment on the impacts of the past conflict on society generally and the IE more specifically.

In order to get a diverse range of participants, selection was based on a number of observed factors including gender; age; business type; business premises; and district of business. Factors such as time restraints of the fieldwork, and the unwillingness of some IE workers to participate, means that an equal mix of participants within these groupings was not possible. This is acknowledged as a limitation within the data collection and methodology. A brief profile of the 244 IE workers interviewed and their businesses is given below:

#### **Gender**

Some 151 men were interviewed compared with 93 women, constituting 62% of the total sample. This does not reflect the informal economy in Colombia as a whole where more women than men work informally (LO/FTF Council, 2018). Though there is not an equal mix of male and female participants the sample does include enough women to be able to draw conclusions about their experiences. Further experiences were garnered from the key informant interviews (see Section 3.3.3) and conflict-mapping workshop.

## Age group

The majority of those interviewed were aged between 36–55 years. There were very few young (under 18 years) IE workers interviewed but there were a number of older (55 years and over) workers involved (Table 3.1).

In Colombia, it is estimated that informality rates are associated with unemployment, and when informality is disaggregated it shows that the oldest and youngest workers have the highest levels of informality (LO/FTF Council, 2017).

## Business district

The survey focussed on *comunas* in each of the six different socio-economic strata in Cali: Low-Low; Low; Middle-Low; Middle; Middle-High/High.

Most IE workers interviewed (30%) operated from the Middle-Low strata, but there were a significant number of IE workers in areas classified as Low-Low (28%) and Middle-High/High (23%). The remaining IE workers were either in the areas classified as Middle (10%) or Low (9%). This allowed for a good mix within the city districts and across socio-economic groupings.

## Business type

The majority (29%) of those interviewed were vendors selling cooked food, drinks, fruit and vegetables and other grocery items, electronics, crafts (such as pots, bowls and religious artefacts), homeware, jewellery, lottery tickets and books and magazines (Table 3.2).

Those involved in transport, including bicycle-taxis (*bici-taxis*) moto-taxis and *piratas*<sup>2</sup> accounted for 21% of those interviewed while trash-pickers made up 17%. Domestic workers and cleaners accounted for 17% while construction workers, including skilled tradespeople and labourers made up 15%. The remaining 1% were involved in services such as watch repair or ticket touting.

## Business premises

The majority of businesses operated from the street in either a roaming capacity or from temporary location (34%) whilst fewer operated from fixed premises on the street (9%). All transport workers (22%) operated from a vehicle (whether that be a bicycle, motorcycle or car) whilst most construction workers (14%) operated from a private construction site. The remaining 21% of IE workers operated from a roofed building. This suggests that respondents faced varying degrees of precariousness, enabling any variation in challenges to be explored.

## Analysis

Numerical data from the questionnaires was analysed in SPSS using cross-tabulations of demographic indicators and current challenges within the IE to explore associations within the data. Qualitative data was analysed using NVivo.

### 3.3.2 Interviews with workers in Cali at the time of conflict

Of the 244 current IE workers interviewed, 193 (79%) had been in the city before 2013. These respondents, referred to as “conflict-affected people” (CAP) in this report, were asked questions exploring the experience of

Table 3.1: Age

Age Group	Frequency	Percent
0 -17 Years	5	2
18 – 25 Years	28	12
26 – 35 Years	51	21
36 – 55 Years	108	44
55+ Years	52	21
<b>Total</b>	<b>244</b>	<b>100</b>

Table 3.2: Business type

Business Type	Frequency	Percent
Vending	70	29
Trash-picking	42	17
Transport	53	22
Construction	36	14
Domestic work	41	17
Services	2	1
<b>Total</b>	<b>244</b>	<b>100</b>

<sup>2</sup> Piratas are informal car or motorcycle taxis

different conflicts from a personal, business and societal perspective as well as the ability of the IE to contribute to economic development and peace-building in the period of transition from 2016.

#### **Analysis**

The responses from the 193 CAP were mainly qualitative and data was analysed using NVivo.

### **3.3.3 Governance analysis**

In parallel, key informant (KI) interviews were conducted with local government officials, NGOs and consultants amongst others. A total of 22 KI interviews took place which involved 40 people. These included a focus groups with “victims” of the Colombian civil war. The KI interviews focussed on the historic and current role of the IE in Cali, national economic trajectories, current attitudes and policies of central and local government to the urban IE and potential opportunities within this.

#### **Analysis**

Again, analysis was performed using NVivo. This allowed KI interview data to be coded alongside the experiences of the 244 current IE workers (and within this, the 193 workers who could answer questions on conflict).



Mercado Santa Helena, Cali

## 4. Cali's informal economy today

*IE workers face a host of challenges in Cali which restricts their ability to secure livelihoods and continues experiences of insecurity in the city.*

### 4.1 Introduction

This chapter describes the contemporary IE in Cali by examining the profile of workers, the characteristics of their businesses and the challenges they face. It also investigates potential ways to address these problems through initiatives of central and local government and other urban actors.

The chapter draws on information from the 244 interviews with current IE workers, the 22 KI interviews, the conflict-mapping workshop and secondary data where relevant.

### 4.2 Describing the contemporary informal economy in Cali

This section builds a profile of some of the people working in the IE in Cali today, examining issues of birthplace, ethnicity, home district, education and gender. It then explores business characteristics including business district, business type, business premises, income levels and issues of seasonality.

#### 4.2.1 Profile of informal economy workers

Though the IE provides low-income urban residents with crucial opportunities for income generation in conflict-affected situations, there are entry barriers to participation (Günther and Launov, 2012). This section analyses the profile of current IE workers interviewed in Cali with particular attention to structural inequalities such as birthplace, ethnicity, strata and household, education and gender, all recognised as factors that enable or inhibit access to the IE (Sen, 2008).

##### Birthplace and migration status

Of the 244 current IE workers interviewed 98 (40%) were born in Cali which suggests there has been significant migration to the city (60%). 22 of the 98 IE workers who had been born in Cali had moved away and later returned.

Of the 146 migrants, 93% migrated from Valle de Cauca (21%) or other areas of Colombia (72%). These will be referred to as "internal migrants" in the report. The other 7% migrated from Venezuela or Ecuador. IE workers in this group will be referred to as "external migrants" in the report. 14% of all IE workers consider themselves to be displaced because of conflict.

Of the 244 current IE workers interviewed, 162 stated when they migrated to, or returned to Cali (Table 4.1). The majority (64%) of the 131 internal migrants migrated between 1980–2012 when violence in rural areas due to civil conflict was at its peak. Conversely, all nine external migrants and 55% of the 22 returnees to Cali had moved in the period since 2013. This reflects broader migration trends that shows displaced rural populations settling in Cali prior to 2013 (with significant spikes in registration between 1999-2002 and 2006-2008) and Venezuelans migrating to Cali after 2014 because of political and economic crisis in their own country.

**Table 4.1: Move date by birthplace**

Move Date	% Cali n=22	% Internal migrants n=131	% External migrants n=9
Before 1980	0	17	0
1980 - 1999	9	40	0
2000 - 2012	36	24	0
2013 and after	55	19	100
Total	100	100	100

##### Ethnicity

Ethnically, Cali is very diverse with the majority identifying themselves as Mestizo (mixed) or White, and minorities identifying as Afro-Colombian or Indigenous. The majority of current IE workers interviewed (71%) either identified as Mestizo (48%) or White (23%). The remaining IE workers identified as Afro-Colombian (21%) or Indigenous (8%).

The overwhelming majority of Indigenous IE workers interviewed (84%) had been born outside of Cali in comparison to 47% of Afro-Colombians and 41% of those identifying as Mestizo or White.

### Education levels

Lack of educational attainment can increase vulnerability levels. Amongst the 244 IE workers interviewed, formal education levels were relatively high with 53% of IE workers accessing (though not necessarily completing) secondary education and 11% completing higher education (Table 4.2).

There was no significant difference between the educational attainment of women and men, nor between ethnicities. However, there was a difference between those born in Cali and those born elsewhere in Colombia. Indeed, 48% of Colombian IE workers born outside Cali did not reach secondary education compared with just 21% of IE workers born in Cali and 11% born in Venezuela or Ecuador. Similarly, far more internal migrants finished formal education at primary school level than those born in Cali or those born outside Colombia (Table 4.3).

**Table 4.2: Education Level**

Education level	Frequency	Percent
None	6	3
Primary	81	33
Secondary	130	53
Higher	27	11
<b>Total</b>	<b>244</b>	<b>100</b>

**Table 4.3: Education level by birthplace**

Education Level	% Cali n=98	% Internal migrants n=137	% External migrants n=9	Total (number)	Total (percent)
None	2	3	0	6	3
Primary	19	45	11	81	33
Secondary	62	47	56	130	53
Higher	16	6	33	27	11
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>244</b>	<b>100</b>

### Strata and households

All neighbourhoods in Cali are classified into 5 socio-economic stratas: Low-Low; Low; Middle-Low; Middle; Middle-High/High, depending on the neighbourhoods in which they live (**Error! Reference source not found.**). The vast majority (67%) of the 244 IE workers interviewed had homes in the Low-Low or Low stratas, whilst 26% had homes in the Middle-Low strata. Only 5% of IE workers had homes in the Middle or Middle-High/High strata and 2% lived outside of the city in nearby areas.

The strata of place of dwelling seemed to be associated with ethnicity, and 80% of the 19 Indigenous IE workers interviewed lived in the Low-Low strata compared with 37% of the 52 Afro-Colombians and 44% of the 173 Mestizo or White interviewees (Table 4.4). However, there were more Mestizo and White interviewees in the study than from other ethnicities.

**Table 4.4: Home strata by ethnicity**

Home strata	% Mestizo/White n=173	% Afro-Colombian n=52	% Indigenous n=19
Low - low	43	37	80
Low	19	38	0
Middle - Low	28	21	20
Middle	3	0	0
Middle-High/High	4	2	0
No strata/outside Cali	3	2	0
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

There was also a connection between home strata and education level. Just 15% of those who had higher education lived in the Low-Low strata compared to 45% of the sample overall.

Large numbers of dependents in households can also increase household vulnerability. Within the sample, the number of people in a household ranged from 1-11 with a mean of 3.7. The number of children in a household ranged from 0-5, and the mean was 1. Though these are not high there were some households with high numbers of dependents.

## 4.2.2 Profile of informal businesses

This section looks at the profile of IE businesses, with particular attention to differences in business practices of the different demographic groups outlined above.

### Key businesses

As demonstrated in Section 3.3.1, vending (29%) was the most frequent livelihood amongst current IE workers interviewed followed by transport (22%); trashpicking (17%); domestic work or cleaning (17%) and construction (14%).

The majority of vendors interviewed (62%) were based in Middle-Low areas of the city while the majority of trash-pickers (50%) operated from Low-Low areas (Table 4.5). Conversely, but unsurprisingly, the majority of domestic workers or maids (32%) worked from Middle-High/High areas. The construction workers interviewed seemed to work across stratas though marginally more worked in Middle-High/High areas than in other areas of the city. Transport workers were split between Middle-High/High (45%) and Low-Low (34%) stratas. The sample was designed to achieve a mix of livelihood activities across different areas.

**Table 4.5: Business district by business type**

Business district	% Vending n=70	% Trash-picking n=42	% Transport n=53	% Construction n=36	% Domestic work n=41	%Services n=2
Low-Low	16	50	34	19	26	0
Low	1	9	15	15	11	0
Middle-Low	62	24	6	19	21	50
Middle	17	5	0	19	10	0
Middle-High/High	4	12	45	28	32	50
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

There was a correlation between business type and gender, and the data suggests a distinctly gendered division of labour. More female IE workers interviewed (42%) worked as vendors compared with male IE workers interviewed (21%) whilst a similar percentage of both genders worked as trash-pickers. More male IE workers (33%) worked in transport compared to female IE workers (2%) and no women worked in construction (compared to 24% of men). In comparison, 42% of women worked as domestic workers and maids while no men worked in the sector.

Business type was also linked to education, albeit marginally (Table 4.6). Of the 6 IE workers interviewed who had received no formal education 83% (5 out of 6) were trash-pickers. Amongst the 81 IE workers with some level of primary education 27% were maids, 25% were vendors and 24% were trash-pickers. Of the 130 IE workers with secondary level education 30% were vendors and 29% were transport workers.

**Table 4.6: Business type by education level**

Business type	% None n=6	% Primary n=81	% Secondary n=130	% Higher n=27
Vending	17	25	30	37
Trash picking	83	24	12	7
Transport	0	10	29	30
Construction	0	12	16	19
Maid	0	27	13	7
Services	0	2	0	0
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

### Business premises

Section 3.3.1 demonstrated that the 244 current IE workers interviewed operated from different business premises, with some running businesses from the street in a roaming or temporary capacity (34%) and some from fixed sites on the street (9%). Others operated from vehicles (22%), construction sites (14%) and roofed buildings (21%).

Unsurprisingly, vendors (97%) and trash-pickers (88%) were most likely to operate from the street (Table 4.7). All transport workers also operated in public spaces, though from a vehicle. The majority of construction workers (94%) worked from designated construction sites and all maids worked from private spaces in roofed buildings.

**Table 4.7: Business premises by business type**

Business premises	% Vending n=70	% Trash-picking n=42	% Transport n=53	% Construction n=36	% Domestic work n=41	% Services n=2
Street (mobile)	64	88	0	0	0	100
Street (fixed)	33	0	0	0	0	0
Vehicle	0	0	100	0	0	0
Construction site	0	0	0	94	0	0
Roofed building	3	12	0	6	100	0
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Business premises were also linked with gender. Some 50% of female IE workers interviewed operated from a permanent roof in comparison to only 3% of male workers. This is unsurprising given that the fact that a greater percentage of women worked in domestic work which is generally conducted from a roofed building whilst men were more likely to be operating from a construction site or vehicle. The same percentage (34%) of both men and women operated from the street in a roaming or temporary location.

### People in business

In this study, 67% of all IE workers work alone, which can also signify vulnerability (Table 4.8). Transport workers (90%), mostly men, and maids (88%), mostly women, were most likely to work alone than IE workers in other sectors. However, trash-pickers (66%) and vendors (64%), the majority of whom operated from the street were also more likely to work alone than with other people. In contrast, construction workers, the majority of whom (81%) worked with friends, family or colleagues on a designated site.

**Table 4.8: Colleague by business type**

Colleague	% Vending n=70	% Trash-picking n=41	% Transport n=52	% Construction n=36	% Domestic work n=40	% Services n=2
Alone	64	66	90	19	88	100
Family	30	29	4	25	7	0
Friends	0	0	2	31	0	0
Others	6	5	4	25	5	0
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

### Business income

Income data is generally difficult to assess, either because people do not keep count of what they earn, or are reluctant to divulge this in interview. Of the 244 current IE workers interviewed, 230 reported income data and daily income ranged from COL 6,500–1,000,000 averaging at COL 52,378 (USD 18.50) a day.

The income data was measured against some of the demographic groupings above. Of greatest significance was the discrepancy in income between the different types of businesses (Table 4.9). Generally, those involved in construction (COL 78,500), and vending (COL 70,900) were paid significantly more on average than others with those in domestic work (COL 37,300) and trashpicking earning significantly less (COL 21,600).

It follows, given that a greater percentage of men are involved in construction and women in domestic work that women (COL 41,300) were also paid less on average than men (COL 59,100).

**Table 4.9: Daily income by business type**

Business Type	Average daily income (Colombia peso)
Vendor	70,900
Trashpicking	21,600
Transport	50,100
Construction	78,500
Maid	37,300
Services	40,000

### Seasonality of business

Studies have found that seasonal businesses bring “risks” to the income flow of informal workers, with decreased capital from the structural and cyclical features of the business increasing vulnerability (Lund and Srinivas, 2000). In Cali 68% of the 244 current workers interviewed associate their business with seasonality. Summer, winter and religious and cultural holidays were all factors that affected seasonality.

Some IE sectors are more affected by seasonality than others and transport workers (85%), vendors (77%) and construction workers (69%) were most likely to be affected, but in different ways. Transport workers generally reported increased profits over holidays, particularly in December, when more people were travelling over

Christmas. Conversely, construction workers reported a drop in profit in the months at the beginning of the year due to a lack of construction work being commissioned. Vendors described their businesses as either increasing or decreasing in certain months due to the availability of products, customers or weather conditions. To counter this, some diversified their products in line with the seasons.

*Different crops are available in winter and summer, so I change the goods to sell (Male IE worker, Vendor, Fruit and vegetables).*

### 4.3 Challenges and problems in the informal economy today

Worldwide, the IE is a structural characteristic of urban economies in low and middle-income countries and a source of innovation and jobs. However, even under relatively stable political regimes, state policy marginalises the urban IE and problems and challenges are commonplace (Brown, 2015). This section investigates some of the challenges and problems faced by IE workers in contemporary Cali, focusing on vulnerability and multiple jobs, lack of inclusion in government policy, association with criminality, problems with local authorities, economic variables and difficulties with infrastructure and operating spaces, with a particular emphasis on lack of physical safety.

#### 4.3.1 Challenges in the informal economy

Of the 244 IE workers interviewed, 208 (85%) admitted they face one or multiple challenges at work. Generally, difficulties are faced by all genders, ethnicities, professions and across all business districts though problems varied in type.

**Table 4.10: Business challenges by business type**

Face challenges in business	% Vending n=70	% Trashpicking n=42	% Transport n=53	% Construction n=36	% Maid n=41	% Services n=2
Yes	87	88	98	81	68	100
No	13	12	2	19	32	0
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

This section investigates the specific challenges and problems that IE workers experienced in contemporary Cali both from interviews with current IE workers and key informants. Five broad categories of problem were identified:

- Vulnerability and multiple jobs
- Lack of inclusion in government policy
- Association with criminality
- Problems with local authorities
- Economic variables
- Difficulties with infrastructure and operating spaces

#### 4.3.2 Vulnerability and multiple jobs

Much emphasis is put on the survivalist nature of the urban IE and its importance for household resilience in times of shocks (Jha et al., 2013). A drop in profit or turnover undermines this resilience and poses a threat to urban livelihoods. In this study, only 16% had seen business increase since 2013, while 18% had witnessed a decrease and 62% had seen no change in business profitability. Some could not answer having started their businesses after 2013.

The inability to earn a decent living means that many current IE workers have multiple livelihood strategies, changing work frequently or holding secondary jobs in order to diversify income streams.

*Sometimes I do other things in order to get paid. I work at the market helping to load stock for other people (Male IE worker, Trash-picker).*

*I have always worked in construction but in December I earn extra money selling shoes (Male IE worker, Construction, Labourer).*

*I've worked since I was 14-years-old. I used to sell toothpaste door-to-door for a big multinational and after that I used to make food and sell it. Now I do this, and I also provide a clothes cleaning and ironing*

*service...I don't earn much but [with both incomes] it's enough to cover my needs (Female IE worker, Vendor, Champús<sup>3</sup>).*

The ability to diversify and change livelihoods demonstrates the flexibility and dynamism of the IE and its workforce. However, low-income or a decrease in businesses harms informal work. Low income and decreases in business were attributed to various factors including lack of protection in labour policy, the saturation of certain IE sectors, increased competition, and difficulties with local authorities, amongst others. The most prominent will be discussed in more detail below.

### 4.3.3 Lack of inclusion in government policy

In Cali, IE workers are either employed informally in the informal sector (such as transport workers), employed informally in the formal sector (such as some construction workers), or employed “off the books” in domestic arrangements, such as domestic workers. Since 2000, there has been a national government led drive to formalise informal work and promote entrepreneurship. These laws include legislation to encourage the start-up of micro- and small enterprises (MSEs), reduce costs of taxes and social contributions in the early years for small businesses, formalise labour agreements to discourage informal arrangements, and reward employers with deductions for social contributions paid to workers they formalise.

While laws may have been established at national level, KIs suggest that there is a lack of implementation at city level.

*There is a national policy to support entrepreneurs and provide them with business loans, but urban planning laws have hit the programme hard. People have ideas and space, but if the land is zoned for residential use you will not get permission to change the zoning for your business. It's a major constraint to implementing the law (K13).*

*The city is not doing much to reduce informality in terms of policy-making. Informal workers have income and there are other priorities. There are two main policy priorities: reduction of poverty and homicides and the relocation of people in high risk, flood-prone areas... because informality is high there is limited [local] government regulation in that area (K13).*

Despite a 2009 Supreme Court ruling that trash-pickers have the right to sell or bid on contracts with the municipality, the conflict-mapping workshop revealed that trash-pickers still feel discriminated against in local-level economic structures.

*There is lack of recognition from government about the need to recycle and deal with waste effectively and efficiently and the work that we do... There are policies in place, but they are not carried out... There is lack of formal employment and there are no better ways to get rid of waste. When the government closed the landfill site in 2008 all the trash-pickers became unemployed and vulnerable and started fighting among themselves to gain control over particular areas. Now there is increased poverty and much environmental damage. And trash-pickers have lost the ability to earn money. There is a lack of political willingness to support us even though we provide a service. Recycling should be everybody's business but citizens do not take responsibility to deal with their waste (Conflict-mapping workshop, Trash-picker).*

A major deterrent to worker registration and formalisation is the subsidised health insurance. Under the current system, all individuals who make more than the minimum wage should pay for health insurance but the government lacks the ability to track informal workers' incomes. The subsidised health system used to provide basic cover, but after a *tutela* (legal challenge) it was argued that a two-tier health system infringes constitutional rights, and that everyone should have the same access to healthcare. Registration for subsidised healthcare also provides access to other government support including subsidised housing. Once registered for non-subsidised healthcare, it is difficult switch back again to the subsidised system, for example if a worker loses a formal job, which further dissuades IE workers who could pay (Martinez 2017).

*The subsidised system opens up other forms of government support. If people formalise their business and move from a subsidised to a non-subsidised system they lose the potential for cash transfers and other support mechanisms. There is no incentive to move out of the subsidised system (K122).*

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<sup>3</sup> Champús is a popular drink of the region made with dried corn, pineapple, *panela*, mashed lulo, cinnamon, cloves and orange tree leaves.

More importantly, national government focus on formalising informal work has resulted in a neglect for the implementation of protection and local support systems for the urban IE. In contexts where government regulation is poorly implemented, the urban IE tends to thrive, but it is difficult to introduce tax systems or business registration measures and the lack of legal status and social protection can disadvantage IE workers. Most informal workers in Cali do not enjoy working benefits such as maximum daily working hour limits, overtime, paid holidays, sick leave or maternity leave and do not receive accident insurance, pension contributions, transport subsidies or service bonuses (Martinez et al., 2017).

*When informal economy workers are employed there are often no contracts and no social security (K11).*

*This is not a job where you have social security. There is no help from the state...If I get sick and I cannot work, I lose the day [and income]. Also, because this work is very physical I need to rest for one day to be able to perform on the other days but the day that I do not work means a loss of money...We also have to be careful because if I have an accident there is nobody to help me (Male IE worker, Transport, Bici-Taxi).*

*I earn little money and there are high risks. There are many accidents at work and they do not pay social security so if something happens you have to pay yourself (Male IE worker, Construction, Labourer).*

Lack of labour rights can result in exploitation of IE workers. In Cali, this has been demonstrated in domestic work where workers often operate alone. Though Decree 721 was adopted in 2013 making it mandatory to affiliate domestic workers to compensation funds, there is difficulty with implementation. Domestic workers in this study reported having limited or no access to social services or mechanisms to address workplace harassment, exploitation or mistreatment.

*In this work, there is no stability. Some employers pay well, and others do not. There is no health insurance if I injure myself...Sometimes I work from 7am to 5:30pm. A few years ago, my employer told me I must work from 7am to 7pm but it took me an hour and a half to travel to and from work each way. They increased my work but paid me the same...I accepted this because I needed the job because my son's Dad left, and I had to support my family (Female IE worker, Domestic work).*

*The schedule is very long. They hired me to take care of the children but then they add other things like cooking and washing clothes. Sometimes they treat me badly – they yell at me or scold me (Female IE worker, Domestic work).*

*I was sexually harassed by my boss in my previous cleaning job. That was about eight months ago (Female IE worker, Domestic work).*

Discrimination against migrant workers and workers in certain businesses, such as trash-pickers, or from certain areas, such as Siloé, was also extensively reported. As IE workers are not protected by legislation they have limited means with which to fight these injustices.

*I was homeless for about four years but now I live in Siloé. I was internally displaced from another area of Colombia. There is a lack of job opportunities for people in Siloé and it is a difficult neighbourhood to live in. There is stigma to living there so it is difficult to find a job. Even in jail, people from Siloé are discriminated against (K115, Focus Group, Victim of forced displacement).*

*Many people discriminate against trash pickers. They see us as bad people and isolate us from society. There is much social prejudice against us and the ill-treatment is so strong I sometimes fear for my life or my personal integrity. The police think that we are thieves. They take away our recycling and chase us [from the area we are working]. I believe this is because they see me badly dressed (Male IE worker, Trash-picker).*

#### **4.3.4 Association with criminality**

Long-term civil conflict, displacement, urban violence and socio-economic inequalities has eroded social trust within Cali (Duncan, 2009), and IE businesses in Cali are perceived to be associated with criminality. As one academic pointed out, though the IE in Cali supports socially and economically excluded populations and displaced populations from the civil conflict, it also supports tax evaders and criminal gangs (K122). However, IE workers are actually often victims of gang conflict and criminality.

*The intersection of poverty, vulnerability, armed conflict and crime in the informal sector has created an environment that leads to a very complex urban situation. As the population in the city has been immersed in a long-lasting conflict, social capital has been reduced - and to some extent, in the general population*

*there are blurred lines between legal and illegal. This liminal boundary has developed a generalised culture of informality that is promoted by deep social inequalities and crime structures (K122).*

According to KIs and participants in the conflict-mapping exercise, some informal workers, particularly street vendors affiliated to gangs, are associated with drug-dealing and selling contraband goods. However, they are also victims of drug dealing and gang conflict and often displaced because of the violence involved.

*There are links between informality, formality and crime. Many street vendors sell drugs though they don't have criminal records. A drug dealer may use a formal house to store or sell drugs informally...We also know that many trash-pickers use drugs (K113).*

*The level of harassment of street vendors has increased because the police confiscate goods from informal workers. They think that a lot of goods are smuggled, but the police should not confiscate these because people need to work and survive. Contraband helps the economy of the city and the currency. Smuggled goods should not be damaged, they should be sold because they are often high quality (Male IE worker, Construction, Labourer).*

*There are the big drug dealers, and there are the distributors who supply the community sellers. The gang wars are an open conflict about power - economic power, political power and authority...The communities are the most vulnerable...there is a lot of displacement and those who are employed sometimes lose their jobs...children are vulnerable as teenagers can easily fall prey to prostitution and drug abuse. There is the disintegration of families (Conflict-mapping workshop, Community members).*

Criminal gangs are also involved with informal money-lending and pay-day loans (known as *gota-a-gota*<sup>4</sup>) which have high interest rates and where recovery of the loan is often ensured by violence. KIs report that some IE workers are involved in *gota-a-gota*, either as users or as providers of the loan, thus perpetuating criminal association.

*Drug lords have become very corporate and have franchises. They have different standards of business. They take their drug returns and put it into gota-a-gota and use the money to hire assassins if their money cannot be repaid...Street vendors are part of the 'broken windows' attitude...they take the entire street [for trade] because there are no regulations, but this economic activity [seems unregulated] and so brings others, for example the loan sharks, and people get killed [if they don't pay]. The interest can be as high as 50% daily (K14).*

*All informal businesses are related to drug money in different ways. The most violent actions tend to be taken against the smaller people or businesses as they're dealing with smaller criminals. For example, with gota-a-gota, it is the small businesses that have to deal with it, but they also use the money lending service too. If people run a business relating to money-lending, then they must have a mechanism to recover that money – it's dangerous (K18).*

However, as participants in the conflict-mapping workshop argued, with no access to formal banks and little access to other loans, using *gota-a-gota* is often the only means that small business operators can manage financial shocks (Section 4.3.6) even if it leaves them vulnerable to violence.

*Gota-a-gota is about control and power and started because of economic need and the lack of access to banks...It takes place in Low-Low and Low stratas, with small businesses. It's been going on for a long time...There are people who take advantage of other people in need. They have finance and make loans at high interest rates. When they do not get paid in full, or on time, they threaten people, confiscate goods and cause people a lot of suffering. Crime rates go up and interest rates go up (Conflict-mapping workshop).*

Even though many IE workers are victims rather than perpetrators of violence (Section 4.3.7), the association of criminality creates prejudice and mistrust of IE workers, which further inhibits social trust, hurts business and encourages harassment from local authorities.

*There are many thieves who appear to be moto-taxis that rob the passengers. For this reason, many people do not use our taxis because they believe that we all thieves (Male IE worker, Transport, Moto-taxi).*

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<sup>4</sup> *Gota-a-gota* is a form of pay-day loans with high interest rates usually dispensed by gangs in the city.

*Because everyone can get a job, even if they are drug addicts, people generalise, and it creates a bad reputation for bici-taxis which creates problems within society as nobody trusts each other (Male IE worker, Transport, Bici-taxi).*

*Sometimes the police throw us out of the places because other people believe that we are going to steal from them or the police think that we are going to sell drugs (Female IE worker, Trash-picker).*

*I am a vicioso (drug addict) so the police believe that I also sell drugs. But I would not harm anyone the way that drugs and drug-dealers have harmed me (Male IE worker, Trash-picker)*

### 4.3.5 Problems with local authorities

The lack of legal status and social protection means that globally IE workers remain unrecognised and vulnerable to victimisation, police harassment, evictions and confiscations (Bromley and Mackie, 2009). Out of the 244 current IE workers interviewed 29% suffered this challenge.

Some 22% of IE workers interviewed had experienced harassment by local authorities. To a lesser extent IE workers had also been vulnerable to fines, confiscations, eviction and imprisonment (Table 4.11).

As demonstrated in Section 4.3.4, the informal economy's association with criminality encourages local authority harassment. However, police corruption is also evident. Although only 4% of the current IE workers interviewed admitted to giving extortion payments (*vacunas*) when asked directly, extortion of IE workers by local authorities was reported extensively in the qualitative data and by KIs.

*The guardia<sup>5</sup> always want money. They ask for COL 100,000 to let me go without fines or confiscating the vehicle (Male IE worker, Transport, Pirata)*

*Piratas have created a system of radio contact to warn of danger. They can pay COL 150,000 weekly to the guardia so that they don't move them on (KI11).*

According to the interviews in this study, certain demographic groups and IE businesses are more likely to experience problems with authorities than others. People that operated from the public sphere, such as transport workers (59%), vendors (37%) and trash-pickers (26%) were much more likely to face challenges than those who operated from private spaces such as the majority of construction workers (11%) or maids (0%).

**Table 4.12: Problem with local authority by business type**

Challenges with local authority	% Vending n=70	% Trashpicking n=42	% Transport n=53	% Construction n=36	% Maid n=41	% Services n=2
Yes	37	26	59	11	0	50
No	63	74	41	89	100	50
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Types of local authority problems differed amongst different types of IE businesses, and whilst extortion was most common amongst transport workers, confiscation affected vendors and eviction affected trash-pickers. As a result, many IE workers in this study highlighted a lack of institutional trust in the local authority and their recourse to justice.

*Sometimes the police arrive in the area to harass the trash pickers, especially in high-income neighbourhoods. The police take away the recyclable material, remove us from our workplace and destroy the material (Male IE worker, Trash-picker).*

*I always parked my food cart with a padlock in the parking lot of my apartment. One day the licensing authority took away my food cart. I never denounced it because I do not trust the police. There are many procedures to make a complaint and the police never do anything (Male IE worker, Vendor, Food).*

<sup>5</sup> The guardia are the traffic police in Cali

### 4.3.6 Economic variables

For the purposes of this report economic variables are considered to be those which affect the profit or income margins of IE workers and include fees, informal payments, the need to use *gota-a-gota*, competition and theft, all of which are acknowledged in academic research as key problems for IE workers (Roever, 2014). Out of 244 current IE workers 44% struggled with economic variables of different types.

The necessity to pay fees can affect disposable income. While workers often complain about the payment of fees, local governments generally need to collect business fees in order to support service provision. The problems are when fee-payers see no benefit from the payments, or when payments are effectively bribes or paid informally and do not reach the local authority. A higher percentage (33%) of all IE workers paid such informal fees.

*I have to pay COL 35,000 to the owner of the car. Then, to be able to work we must pay the people in charge of las playas<sup>6</sup>. When you make your first trip the charge is COL 3,000 then for every other trip I pay COL 1,000. I must also have money in case the traffic police bother me or if there is a roadblock (Male IE worker, Transport, Pirata).*

*There are people who work in trucks that collect garbage. I have paid these people between COL 2,000-3,000 to let me look inside the truck for recyclable materials (Male IE worker, Trash-picker).*

As well as paying *vacunas* (extortion payments) to the local authority to prevent fines and confiscations (Section 4.3.5), some IE workers also reported paying them to gangs who control the territory where they work.

*Established businesses are charged a vacuna. Businesses pay this money to the gangs and for this they get protection and are left alone. If they don't pay, they'd either have to leave the area, or they'd be hurt...Informal businesses are actually more likely to pay money to gangs than the police. But street vendors, and others who operate on the streets, are likely to pay both – to the police and the gangs. Those near the MIO<sup>7</sup> suffer the most (K11).*

*In Santa Helena<sup>8</sup> we analysed economic clusters and we found something very interesting. Robberies in this area, where there's a lot of commerce, were low because one gang controls the area and provides security but [for this security] they charge a vacuna of COL\$.50,000. Buena Ventura has the lowest murder rate in the country but when you go there you'll find every business is paying a vacuna (K15).*

Lack of access to capital and formal banking means that many IE workers turn to *gota-a-gota*. While this can free up money for business improvement and helps in times of shock, IE workers pay very high interest rates which actually damages profit margins and disposable income and leaves IE workers vulnerable to violence if they cannot repay (Section 4.3.4).

*Money lenders who lend money easily and charge high interest rates are causing people to get into ever-increasing debt...We are made bankrupt and lose our businesses. The money lenders are very dangerous. They first pretend to be your friends and are so nice but once they have you in their hands they cause a lot of problems...People lose everything. Many people commit suicide. Some people become addicted to gota-a-gota...There is displacement and evictions, loss of property and death threats to family members (Conflict-mapping workshop)*

*I have a credit with a gota-a-gota. I borrowed because I was behind on my rent and had to eat. I was given COL 200,000 but I need to pay COL 300,000. I pay every fifteen days (Female IE worker, Trash-picker)*

Competition over customers or jobs and saturation of the market by similar IE businesses or workers affected 63% of the 244 current IE workers interviewed. Theft in the workplace by customers, clients, employees or other workers also affected 25% of the 244 interviewed and was seen as being a fundamental challenge to business. Sometimes theft was violent (Section 4.3.7).

These economic challenges are exacerbated by a lack of business training, business knowledge and capital, and KIs reported a widespread lack of specific skills within the Cali labour force as a whole. These challenges were felt particularly acutely by those in areas in the Low-Low strata, Indigenous populations and internal migrants who

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<sup>6</sup> Las playas are areas in which piratas are made to wait for customers to arrive. Usually there is always a person "el despachador" who is responsible for accommodating the people in the cars and they charge the drivers for each trip.

<sup>7</sup> MIO (Masivo Integrado de Occidente) – bus rapid transit system in Cali.

<sup>8</sup> Santa Helena market is the largest food retail open market in Cali. It covers 12 blocks that includes both formal and informal commerce.

may have lower levels of formal education than other workers and women, trash-pickers and domestic workers who often have lower incomes. Low-income workers often do not separate business and household finances or keep any form of accounts.

*If it is a family business, it is often unclear who does what. The business is not organised, the family roles are unclear and there are no long-term plans, so if they don't work for a few days they will struggle. Also, when the business is located in the house, they don't differentiate the space (K11).*

*There is a surplus of labour but a shortage of specific skills...the skills of people are not available to fill demand. The main problem is technical change and evolution of Cali's economy towards technical services (K110).*

*There should be opportunities and better access to education to improve knowledge and employment generation (Male IE worker, Construction, Labourer).*

In the absence of high profit margins, remittances and informal cash transfers the influence the ability of IE workers to maintain incomes, particularly in times of economic shocks (Bradbury, 2008). Remittance growth in Colombia was 15% in 2017 and remittances account for 2% of the country's GDP (The Dialogue, 2017). However, only 5% of the 244 current IE workers interviewed received additional income from cash transfers, which suggests that remittances may not be a common source of income for many low-income urban workers. Those that did receive money were IE workers with family in Europe (Spain, Italy, UK and Switzerland), USA or Australia.

#### 4.3.7 Difficulties with infrastructure and operating space

Some 39% of the 244 IE workers interviewed claimed that one of the main challenges is the infrastructure and operating space they work from. Workers in all businesses complained of the lack of adequate safe, serviced and permanent spaces, with adequate roofing, electricity supplies, drinking water or waste management.

*The municipality permits street vendors to use public space, but there are no services for them...if public space can be given economic value then it can be made safer and infrastructure can be provided (K11).*

*I do not have a permanent space where I can make sales. I am exposed to high temperatures, heavy rain and police persecution. It affects my business (Female IE worker, Vendor, CDs and DVDs).*

Businesses located in the Low-Low strata appeared to suffer infrastructure problems more than others (Table 4.13). Amongst IE workers who worked in Low-Low areas (57%) suffered problems compared to (39%) in Middle-Low areas and (24%) in Middle High-High areas. This suggests that low-income workers are particularly vulnerable to challenges with operating spaces.

**Table 4.13: Problems with operating space by business district**

Challenges with operating space	% Low-Low n=67	% Low n=22	% Middle-Low n=72	% Middle n=25	% Middle-High/High n=55
Yes	57	27	39	36	24
No	43	73	61	64	76
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

In 2003 a Deregulated System emerged in Colombia whereby 'national and local governments were mandated to promote the living conditions and to adopt measures to favour discriminated or marginalised groups. Under this revision, street vendors were protected by law and to remove them from the public space became a violation of their right to work' (Martinez et al., 2017). However, though street vendors interviewed reported a decrease in evictions since 2003, lack of permanent spaces meant they still battled with formal shop keepers over operating spaces, and local authority officials over congestion.

*Sometimes the police want to move me because I block the passage of the passengers of the MIO. I try to corner my bike well [so it does not block pedestrian routes] but when they bother me a lot I have to try elsewhere (Male IE worker, Vendor, Chontaduro<sup>9</sup>).*

*People who live in the neighbourhood say that the area is filling up with street vendors. The restaurant owners that are located in the neighbourhood have told me several times that I can't work near the formal businesses (Male IE worker, Vendor, Flowers and herbs).*

<sup>9</sup> Chontaduro is Peach Palm Fruit

Poor occupational safety and health workplace conditions were highlighted by construction workers and cleaners who do not have access to appropriate tools or training or adequate health insurance coverage.

*On some construction sites, we do not have the necessary protection such as helmets or boots or the necessary equipment for constructing at heights. The Ministry of Labour can fine the boss or stop the work (Male IE worker, Construction, Manager).*

*In the offices where I do the cleaning, chemicals are handled and we have to disinfect the area. We have to handle chemicals and we do not know how to use them, and they can affect our long-term health...some colleagues have had health problems and they have become ill because of the chemicals - one even died. I am now suffering from carpal tunnel syndrome, and have a rotator cuff injury because of how hard it is to clean all day long (Female IE worker, Cleaner).*

However, the overwhelming complaint by IE workers, which transcended business type, was around physical safety and experiences of violent crime when working or travelling to work. Although security has generally increased since 2016, and homicide rates have decreased, gangs and conflict over territory still exist and the threat of violence is a daily experience for most IE workers, especially those working in public spaces.

Within Cali only 34% of 244 IE workers confessed to feeling ‘very safe’ in their working environment. Perceptions of physical safety were lower in Low-Low (30%) and Middle-Low (26%) stratas than in Middle-High/High stratas (47%) (Table 4.14).

**Table 4.14: Physical safety by business district**

Physical safety at work	% Low-Low SES n=67	% Low SES n=22	% Middle-Low SES n=72	% Middle SES n=24	% Middle-High/High SES n=55
Very safe	30	23	26	46	47
Somewhat safe	27	45	36	42	38
Somewhat unsafe	30	18	18	4	6
Very unsafe	13	14	20	8	9
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

*IE workers work in problematic barrios<sup>10</sup>...they learn to work regardless of conditions...in the barrios you’ll see small shops have a cage on them because there are fears and insecurity (K11).*

In many of Cali’s low-income neighbourhoods there are ‘invisible borders’ which segregate gang territory and become sites of contention and violence. IE workers who live or operate in these territories often experience robbery or theft, violence and extortion, and have to pay to pass through or operate in gang territories.

*People are fighting for territory. Gangs are trying to gain control over certain territory. It’s been the case since the drug trafficking and the drug cartels started fighting for territory to sell drugs...It takes place mostly in the isolated and neglected barrios in the city. The fights over territory and control of drug sales leads to deaths and displacement and there is a lot of fear among informal economy workers...The ability to earn is limited because street vendors cannot walk freely because they are robbed or injured or blackmailed (Conflict-mapping workshop).*

*In Marroquin<sup>11</sup> barrio there’s a bridge to cross the avenue [between gang territories]. I was walking to cross but someone stood in front of my and stole my cell phone and the money I had earned that day which about COL 23,000 (Female IE worker Domestic worker).*

In addition, transport workers are targets of organised crime and violent robbery and people working as piratas and Moto-taxis reported being robbed at gunpoint.

*I was driving on the road from Cali to Jamundí<sup>12</sup> and two people who were on a motorcycle took out a gun and told me to ‘stop the vehicle’ and they stole all the money (Male IE worker, Transport, Pirata).*

*I have been robbed twice in the last two months. The first time I was stopped eight times for money. The second time my wife was driving and they took her motorcycle (Male IE worker, Transport, Moto-taxi).*

<sup>10</sup> A barrio is a neighbourhood

<sup>11</sup> Marroquin I and II are neighbourhoods in Comuna 2 in Cali which is in the Low-Low strata.

<sup>12</sup> Jamundí is a town 24km South of Cali

*Once I got robbed by two guys who got on as passengers but then took out a gun and stole what I had earned that day (Male IE worker, Transport, Pirata).*

Perceptions of safe working environments for women were lower still and only 31% of 244 current IE workers felt that business operating spaces in Cali were 'very safe' for women. Public spaces were highlighted as areas where women felt particularly at risk of sexual harassment, though women were also vulnerable to sexual assault in the private sphere.

*The police harass me and ask for products so as not to take away my goods. They often say bad, sexual words to me. Other men also harass me and make sexual proposals (Female IE worker, Vendor, Cigarettes).*

While political action could alleviate the difficulties experienced by IE workers, very few thought that the municipality (12%) or local authority (7%) had any power over the city.

## 4.4 Potential protections from problems and challenges

The inclusion of informal workers in urban policy and planning encourages recognition of the economic, environmental and social contributions that they make and can protect and enhance existing livelihoods in the post-conflict setting (UN-Habitat, 2016). Of particular importance is the ability of local urban actors, including local government, to facilitate the inclusion and participation of groups who may feel marginalised (Ernstson et al., 2010). This section explores possible protections for IE workers in Cali investigated during the research with KIs, interviews with current IE workers and the conflict-mapping workshop. Through this process, five key protections were identified that could dilute the challenges faced by IE workers in Cali:

- Policy inclusion and labour laws
- Protection from extortion and harassment from local authority officials
- Support for associations
- Increased business education and training
- Improved infrastructure, operating spaces and physical safety

### 4.4.1 Policy inclusion and labour laws

There is recognition amongst formal companies, NGOs and some government officials that formalisation drives are not working because of the cost implications and loss of health subsidies, and that it is important to support and empower IE workers. This can be done through enabling approaches that encourage small IE businesses to grow and transition into larger, more formalised business entities in the longer term.

*There has been a lot of work to encourage people to transition into formality but there are many hidden costs of formalisation. For informal enterprises utilities may be subsidised, you may be able to get electricity illegally and operate without having to pay for a business licence. However, without formality there is no social protection. People cannot formalise without an ID or an address which is difficult for informal workers who move around, or live on the streets or are just out of jail (K14).*

In Cali, there has been recent attempts to create enabling environments for street vendors and provide transition job opportunities that bridge the gap between informal and formal work. Indeed, MetroCali which operates MIO (the bus rapid transit system) has implemented a programme that allows registered street vendors to sell on the busses.

*Informality is an opportunity. Regulation does not mean banning informal workers which gives the police bad press. However, authority is not negotiable. [At the moment] no informal economy worker has the incentive to go into the formal market but there are three benefits of regulation [for informal workers]: access to better products, access to a financial alternative to gota-a-gota and social security... ..Vendors are a significant part of the informal economy. MetroCali wants to see its operations as an opportunity for street vendors...Instead of harassing street vendors we considered how to work with them... We provided registered street vendors with a registration card and nice blue vests with large pockets and reflective strips and a red canvas wheelie bag [to operate with]...we argue that street vendors can contribute to five of the six services that the MIO provides, except the transport. They can help with passenger information, phone recharging facilities, safety, food and customer service. For instance, street vendors can work with police to strengthen security as they might know who has stolen [if there has been a theft]...We are giving street vendors ID cards so that we can recognise them as social citizens...The programme provides an opportunity to progress to formality so there is a transition from informal to formal so the programme has to provide real benefits, for instance, access to subsidised housing or a pension...(K16)*

Though they acknowledge the beneficial contributions street vendors make, programme developers have faced resistance to their ideas and concede that similar attempts in Bogotá failed with changes in government administration.

*It has not been easy [to implement the project]...The problem was changing the perception of officials to see street vendors as an asset rather than a disadvantage, and there has been resistance, as many people in MetroCali don't want to see street vendors included (K16).*

Recognition of the IE in national and local economic development strategies would raise the profile of the IE on government agendas but it would also help to alleviate discrimination, exploitation and exclusion by providing rights to the disenfranchised, especially low-income workers, indigenous populations, migrants and women.

*Informal work should be better supported because we are left earning very little money and we do not make progress. We should be given better conditions to work, increased wages and greater respect from our employers (Female IE worker, Domestic work).*

*I would like to enforce housemaids' rights dictated in law (Female IE worker, Domestic work).*

However, discrimination, even in progressive policies remains a problem and the MIO street vendors' programme is at present only open to those already working on buses or at stations, and not more widely, despite acknowledgement that the 'conditions of poverty are the same' for everyone (K16).

Work must also be focussed on alleviating the stigma associated with informal work and the, sometimes unfair, association with crime. This is particularly important given that many IE workers would be willing to pay tax and fees to the local authority if they were given security to operate.

*There must be a law for informal workers so the police and the owners of formal businesses must let the informal workers work (Female IE worker, Vendor, CDs and DVDs).*

*If there was a tax I could pay so I could work in peace and receive social security I would pay because I want security for me and my business (Male IE worker, Vendor, Jewellery).*

The development and implementation of appropriate management is vitally important, but is reliant on strong adherence strong governance at local level. Unfortunately, KIs report low levels skills and funding at local government level which restricts appropriate management and regulation of IE enterprises. There are also low levels of participation from civil society.

*Local Government staff are often just consultants and might be there for just eight months so many laws are poorly developed. There are no incentives to accept local government jobs so most qualified people are not there (K11).*

*It's more difficult to work in larger municipalities because they are very complex...The most significant problem is lack of resources. There are no independent revenues and a lack of resources and lack of trust between local government and citizen. There are not enough channels of participation & communication [between the two] (K120).*

*There is no real dialogue between academia and the private and public sector...there is no single vision for the city. We never have money to collect the data we need. There is also corruption – we can see it – but it's a societal thing and really hard to change. It should be in the first pillar, but it's really hard to change (K117).*

#### **4.4.2 Protection from extortion and harassment from local authority officials**

Although policy inclusion at central and local government level would raise the profile of the urban IE, local level protection from corruption, extortion and harassment is critical for some of the most vulnerable workers, especially those working alone in the public sphere such as vendors, trash-pickers and transport workers.

*The authorities should let us work because everyone needs to survive...If they allow us to sell without harassing us or treating us as criminals it would be much better (Male IE worker, Vendor, Lottery tickets).*

*There must be an agreement between piratas, bici-taxis and the traffic police so that everyone can work (Male IE worker, Transport, Bici-taxi).*

*The Police force is a national force and does not have local allegiance. They report to the Ministry of Police and it is a bad structure. Most are corrupt because they are very underpaid - they only earn about USD300*

*a month... If we gave them better conditions, there would be less corruption. If they were Municipal Police they would have better conditions (K14).*

#### 4.4.3 Support for associations

Associations and trade unions are important means for strengthening IE workers' rights (Bonner and Spooner, 2011). There is recognition amongst central government about the importance of trade unions shown in the national Action Plan Related to Labour Rights (*Plan de Acción Laboral Colombia*) which was brought in in 2011 to protect the rights of Colombian workers and prevent violence against trade unions (Hawkins and Valderrama 2018). There is also recognition amongst IE workers that greater organisation and representation is needed, particularly if their business challenges are to be overcome, but also that greater organisation could lead to better self-regulation that could benefit business more broadly.

*There should be an association of bici-taxi drivers who are identified with cards and who are uniformed. There must be rights but also duties of bici-taxi drivers (Male IE worker, Transport, Bici-taxis).*

*Informal workers need to be heard, even if they do not pay taxes or are not legal. We also have needs. If we were to organise we could get better support, access to credit and there would be more job creation (Male IE worker, Transport, Pirata).*

Self-help groups and co-operatives can also be important sources of savings and can smooth shocks or crises.

*We need to create co-operatives so that workers can organise and formalise and encourage investment and employment (Male IE worker, Transport, Pirata).*

*There should be support for the street vendors to organise and help with expenses to consolidate the business (Female IE worker, Vendor, Fast-food)*

If collective bargaining is to be effective, more participation, training and development is needed. This is particularly vital given the absence of involvement of the most vulnerable IE workers in formal or informal associations within Cali. Of the 244 current IE workers interviewed, only 7% were part of a trade union and 6% were part of an informal business group. Thus, there is potential for increased association to encourage collective voice.

*Waste recyclers are organised and there are about 22 organisations in the city each in a separate geographical zone...but participation is weak...the street vendors have no organisation at all and other sectors aren't organised either (K11).*

#### 4.4.4 Increased business education and training and access to capital

Many KIs identified a need for increased education, business training and skills resources for IE workers to improve business prospects. Trash-pickers from the conflict-mapping workshop also highlighted increased education and association as key in claiming and protecting their rights.

*We want to teach them entrepreneurship as there are a lot of opportunities in food vending. 70% of food vendors have no certificate for food hygiene so we could educate them to handle food (K116).*

*We need to improve communication between the different actors involved in recycling so we can work together as a team. We need to have education and training to ensure that people are empowered and they need to know the law and to know their rights. Trash-pickers need to understand the law so that they can make sure they can use it (Conflict-mapping workshop).*

Some current IE workers knew what they needed to do to improve their business but had a lack of access of knowledge and support.

*There should be opportunities and better access to education to improve knowledge and employment generation (Male IE worker, Construction, Labourer).*

*It would improve my business if I could get help to promote it, to prepare new food, with new techniques. That would help me get more customers (Male IE worker, Vendor, Salads)*

*I would like more help from the state...I would like if people who work in construction can receive some training and subsidies or partial or total scholarships to enrol in different courses so they can develop (Male IE worker, Construction, Labourer).*

In Cali, a number of government departments and NGOs have been working to provide business training opportunities to IE workers.

*We work with other NGOs who work with people who have committed minor crimes, but not gang members. The NGOs implement cultural interventions and support people to create business plans too... There is one project working with 30 young people to train them to fix motorcycles (K11).*

However, the conflict-mapping workshop highlighted a problem with discrimination regarding access to education at school level. Furthermore, donor funding for business training projects is usually short-term and the task of developing consistent and workable policies is difficult, resulting in the exclusion of some of the most vulnerable. The challenges were reiterated both by participants in the conflict-mapping workshop, and by local NGOs as these quotes demonstrate.

*There is a lot of discrimination by education system and structures. There are those who are excluded because of age, social status, colour of skin, or physical limitations...There are laws to protect minorities, but the discrimination continues. Today there are laws to protect Afro-Colombians, but they are still discriminated against. Everyone has a right to education but those in the lower social stratas have their rights violated because of corruption...We are frustrated because we cannot fulfil our dreams and we cannot start a business...Academic and educational bodies need to bring back good values in the educational system and avoid discrimination...All must have access [to education and training] (Conflict-mapping workshop).*

*We work to provide job training to young people...We started a project in Portrero Grande<sup>13</sup> which has invisible boundaries and so it is very difficult to unite the neighbourhoods and there are some areas you can't go into. We have about 450 people at present. We have capacity for 600 but our funding was cut by 20% last year (K14).*

Of the 244 current IE workers interviewed only 2% had regularly engaged with an NGO, demonstrating the need for increased access to business training for internal migrants, indigenous ethnicities, and low-income workers, such as women, unemployed youth and those in trash-picking and domestic work.

Access to business loans and capital for business start-up and improvement was also highlighted as vital to prevent IE workers relying on *gota-a-gota*. However, without access to formal finance, IE workers will remain reliant on the informal, and often dangerous, money-lending system.

*Informal economy workers don't have access to a bank account. They have a huge history of lending but have no credit history. To create a history, they first have to get into the banking system, so they don't have to go to money lenders (K122).*

*The government must give informal workers ID and help us get access to a bank that lends money so we can invest in our businesses and avoid gota-a-gota (Male IE worker, Vendor, Sweets).*

*We need to raise awareness in our families and our communities and need to learn how to access and manage finances (Conflict-mapping workshop).*

#### **4.4.5 Improved infrastructure, operating spaces and physical safety**

As discussed in Section 4.3.6 there is a great need for improved working spaces for IE businesses and secure, serviced operating spaces with services were highlighted by many IE workers as fundamental to business improvement. Some government officials have acknowledged that protected trading spaces would be preferable for vendors and many vendors reported being willing to pay tax in exchange.

*Street vendors are in the street and my personal view is that they bring some flavour to the urban experience. Vendors live in danger and instability and it's a tragedy, they should be integrated into public space (K17).*

*When we spoke to street vendors they were willing to pay tax if police respected their space (K117, Research assistants).*

Part of the proposed programme to accommodate street vendors on the MIO buses and stations (Section 4.4.1) includes proposals for designated stands for vendors, but the need is wider.

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<sup>13</sup> Portrero Grande is in Comuna 21 in a Low-Low strata in Cali.

*We've designed stands that can be used to sell sweets and snacks in the offices of MetroCali as they will have a captive market in offices...We are concerned for their security. We feel that most vendors are good citizens and are not involved in crime it would be safer if spaces were lit for vendors that trade late at night. We want to improve security for street vendors (K16).*

Security and reduction in the levels of violent robbery, gang conflict, extortion and harassment are critical. While government officials have worked to curtail the power and presence of gangs in Cali's communities, the criminal justice system does not process cases quickly enough, and violence is continuing in low-income neighbourhoods.

*When a gang is dismantled, crime rates go down. Comuna 6 was one of the most violent when the police force started to crack down on gangs and there has been a decrease in all rates of crime whether that be robbery or drug-trafficking. We've tried to replicate the model but the Justice system gets clogged (K14).*

In dealing with issues of physical safety, particular attention should be paid to women, who are perceived to be less safe in the city than men due to high levels of sexual harassment and abuse in the public and private sphere.

## 4.5 Key findings

In most developing cities globally, urban policy marginalises the IE, despite the IE providing vital employment to urban citizens (Lyons et al., 2012). In Cali, 85% of current IE workers admitted facing challenges at work. The main challenges were:

- **Vulnerability and multiple jobs:** Only 16% of IE operators interviewed had seen business increase since 2013, while 18% had witnessed a decrease and 62% had seen no change in business profitability, which threatens household resilience. Low income or decrease in business results in IE workers having to adapt or diversify their income stream to sustain their livelihoods.
- **Lack of inclusion in government policy:** There is a lack of recognition of the role of informal work in providing livelihoods for many households in Cali. While there have been legislative attempts to formalise informal work at national level, they are difficult to implement, partly because the healthcare subsidy system and costs of formalisation do not incentivise IE workers to formalise. Focus on formalisation has resulted in a neglect for the implementation of protective and support systems for the urban IE at local level. This has resulted in IE workers often facing an absence of social security mechanisms as well as exploitation and discrimination, particularly those in domestic work.
- **Association with criminality:** Long term conflict in Cali has eroded social trust and IE businesses are often perceived to be involved in criminality. Though there are reports that some street vendors trade in drugs and are involved in the provision of *gota-a-gota*, in many cases IE workers are victims, rather than perpetrators, of urban crime and violence. Despite this, the prejudice and mistrust of IE workers in particular sectors (such as street vendors and transport workers) hurts IE business and encourages harassment from local authorities.
- **Problems with local authorities:** Globally IE workers remain unrecognised and vulnerable to victimisation, police harassment, evictions and confiscations. In Cali, 29% of current IE workers had experienced these problems. Of those, workers who operated from public spaces, such as transport workers, vendors and trash-pickers were most likely to have been affected. The type of problem differed between business types and while extortion was most commonly experienced by moto-taxis and piratas, confiscation affected vendors and eviction harmed trash-picking businesses. Generally, a lack of institutional trust was reported by IE workers in regard to local authorities.
- **Economic variables:** Fees, informal payments, the need to use *gota-a-gota*, competition and theft all impacted profit and income margins of current IE workers in Cali. These problems were exacerbated by a lack of access to capital and business training which influences the capacity for business growth. In the absence of high profit margins, remittances and informal cash transfers influence the ability of IE workers to maintain incomes. However, only 5% of current IE workers receive additional income from cash transfers.

- **Difficulties with infrastructure and operating spaces:** Of 244 current IE workers 39% cited the lack of safe and secure operating spaces, and an absence of occupational safety and health workplace conditions, as a severe hindrance to business. Problems were exacerbated by the low levels of physical safety in wider Cali with only 34% of 244 IE workers feeling 'very safe' in their working environment. Lack of physical safety was felt particularly acutely in low-income neighbourhoods which still suffer from violence and extortion related to 'invisible borders' and transport workers who were targets of organised crime and violent robbery in the city. Working spaces for women were highlighted as being particularly inadequate, with women reporting facing high levels of sexual harassment in the private and public spheres. While political action was highlighted as a potential solution to such problems, only 12% of IE workers thought the municipality had any power in the city. Within the IE there are vulnerable groups emerging who are more affected than others by the challenges above. Internal migrants, and those who live areas in the Low-Low strata of the city tend to have less formal education than their counterparts while more Indigenous people live in low-income areas than other groups. Trash-pickers, domestic workers and women are more likely to receive lower incomes than men or workers in other sectors while trash-pickers, vendors and transport workers, who work in the public sphere suffer from harassment, eviction, confiscation and theft, both from local authorities and gangs.

The report has identified several key protections that could alleviate the challenges and problems in the contemporary IE in Cali:

- **Policy inclusion:** to genuinely support and empower IE workers and their businesses. Small-scale enabling actions would raise the profile of the IE on government agendas and help alleviate discrimination, exploitation and social exclusion by providing rights to the disenfranchised, especially low-income workers, indigenous populations, migrants and women. Work must also be focussed on alleviating the stigma associated with informal work and the, sometimes unfair, association with crime, which is reliant on strong governance at local level.
- **Protection from extortion and harassment from local authorities** is critical for some of the most vulnerable workers, especially those working alone in the public sphere such as vendors, trash-pickers and transport workers.
- **Support for associations:** Enabling workers to organise into associations, trade unions or co-operatives can be important in providing a platform for IE workers to articulate and negotiate their needs, establish rights, and address conflicts in the urban context. Savings and credit associations and financial co-operatives can also be important sources of savings. In Cali, however, only 7% of current IE workers interviewed were currently involved with a trade union and more participation, training and development is needed to encourage collective voice.
- **Extension of business training and capital** could address some of the difficulties of lack of formal education faced by some low-income IE workers, particularly internal migrants, trash-pickers and women. However, training sessions should be affordable and timed so that people can combine training with income earning. Some training is provided by NGOs, but only 2% of the current IE workers interviewed had regularly engaged with NGOs, highlighting the need for increased training and capacity building opportunities. Access to business loans and capital for business start-up and improvement is vital to prevent IE workers relying on *gota-a-gota*.
- **Improved infrastructure and operating spaces:** There is greater need for secure and serviced operating spaces which would not only protect vulnerable members of the IE but would encourage business growth and improve urban governance. Security and reduction in the levels of violent robbery, gang conflict, extortion and harassment, particularly in low-income neighbourhoods are critical.

While these measures could provide protection and support for IE businesses, the presence of vulnerable groups and businesses call for focussed interventions beyond the broader ones aimed at the entire sector.



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## 5. The informal economy in conflict

***Conflict had numerous impacts on the IE but the sector has huge potential to contribute to ongoing development outcomes in Cali.***

### 5.1 Introduction

This chapter first summarises the general effects of urban conflict in Cali up to 2013 and from the period from 2013, when attempts at reducing homicide levels began to show results, to 2016 when the Comprehensive Peace Accord was signed. The chapter then investigates the short-term and medium-term impacts of periods of violence on the urban IE. In the transition phase from conflict, following 2016, the IE has undergone significant changes and this chapter will also look at how the IE functions in post-conflict settings before analysing whether the urban IE in Cali can contribute to broader economic growth, poverty-reduction and peace-building. The chapter finally explores innovations in crime reduction and management of the informal economy. The findings incorporate qualitative data from interviews with 193 conflict-affected people (CAP) and from the 244 interviews with current IE workers. These findings were combined with qualitative data from the 22 KI interviews (KIs), including focus groups with conflict victims and the conflict-mapping workshop, together with updated information from the 2021 UN-Habitat study.

### 5.2 General effects of conflict

Cities are often the arena for a range of global conflicts which all have devastating effects politically, socially and economically on their residents (Beall et al., 2011). In Cali, the different conflicts affected the urban setting in unique ways. The civil conflict, largely based in rural areas, affected Cali through the large numbers of displaced people fleeing the guerrilla and paramilitary violence, especially in the early 2000s when conflict was particularly severe. Drug-related conflict, on the other hand, was focussed in Cali, with urban based drug cartels fighting over territory and the drug trade until the disbandment of the large cartels in the late 1990s and early 2000s.

Since the government-led destruction of drug cartels and right-wing paramilitary units in 2003, both Cali and its urban and rural surrounds have witnessed the proliferation of smaller criminal gangs. These gangs used homicide, extortion, torture and kidnapping to control territory and the local drug-trade, with more localised but violent impacts on the urban environment of Cali.

Of the 193 CAP, who were all in the city at some point before 2013, 42% had been directly affected by conflict. Some 45% of the CAP had been born in Cali, while 55% were internal migrants who had moved to Cali over the period of civil conflict. Those born in rural or other areas of Colombia, who had been more directly affected by civil unrest, experienced civil warfare very differently from those born in Cali. Therefore, this chapter explores the different experiences of those who moved to Cali from the rural areas of Colombia over the period of conflict and those who were in Cali for the entire time. It also examines the different experiences of urban residents of the violence between the drug cartels during the 1990s, and between criminal gangs since the 2000s. All are referred to as “CAP” having lived in Cali at some point before 2013.

#### 5.2.1 Effects on families

Though there were different causes and contexts of violence, many of the impacts on families were similar.

In both rural and urban areas, there was a loss of life with homicides a feature of both civil conflict, drug-related conflict and violence related to criminal gangs.

*My husband and my brother were killed in Toribío<sup>14</sup>. Because they worked in the fields on another farm, they were accused of being government sympathisers and killed them...It was very painful, I had to come with my daughter to Cali so that they would not look for me (Female IE worker, Vendor, Fried patacones<sup>15</sup>).*

*A nephew of mine was killed when he was about 20 years old here. They said he was in another gang and was stealing from them so the gang members murdered him (Female IE worker, Vendor, Magazines).*

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<sup>14</sup> Toribío is a town and municipality in Cauca Department, Colombia.

<sup>15</sup> Fried patacones are fried green bananas

There were also robberies, lootings, kidnappings and general violence which led to displacement of people, both from rural areas to Cali, and within the city itself.

*[During civil conflict] displacement usually happened in rural areas and affected people who were living in the boundaries between two territories. The paramilitaries were a government force set up by Alvaro Uribe. If one area was controlled by FARC, and an adjoining area by the paramilitaries and one household would be asked to feed the paramilitaries and they could not refuse, but then FARC would accuse them of being against the people and 'supporters' of the government, and would threaten them and they could not stay (KI22).*

*My family had a farm but lost it to the guerrillas. I was displaced by violence when I was 17 years old (Female IE worker, Domestic work).*

*I've been displaced from several places – first Antioquia, and then Guaviare. I witnessed the massacre of Mampiripán in 1997. Then I went to Nariño, to small municipality called Santinga but I was also displaced from there. I've lived in Cali for 25 years but recently one of my grandsons was killed by a gang. One of the killers was then killed and he is in fear of reprisals (KI15, Focus Group).*

*I lived in the Petecuy neighbourhood in North-East Cali. One day, some gang members tried to force me to keep weapons in my house. I refused and they threatened me with death so I was forced to leave the neighbourhood (Male IE worker, Trash-picker).*

*Eight years ago, the government gave me and my family a house but gang members stole my furniture and appliances and forced us to leave the house (Male IE worker, Vendor, Fruit and vegetables).*

Displacement of rural people into the urban environment disrupted their livelihoods and they had to adapt their (usually agricultural) livelihoods to the city. Drug-trafficking and cartel conflict in the city, and later gang violence, also meant that livelihoods were disrupted (see Section 5.3).

*There have been 500,000 murders since 1948 [because of civil conflict] and 80,000 people murdered or disappeared since the 1980s. There have been 9m displaced victims and all of these conflicts impact on Cali. The displaced come to the city with nothing to do. People do not have the labour skills to move into the city, they have agricultural skills (KI12).*

*17 years ago, while I was working I was robbed and shot in the head. It was very serious for a while. That's how I lost one of my ears (Male IE worker, Transport, Pirata).*

As demonstrated, conflict in urban and rural areas resulted in loss of life and displacement and general violence and criminality produced fear in both urban and rural areas. However, KIs and CAP report that the proliferation of urban criminal gangs since the 2000s, made up of former cartel members from drug-trafficking conflict and dissident guerrillas and paramilitaries from civil conflict has had the most negative impact on the fabric of urban life in Cali. During the 1980s and 1990s, drugs were mainly exported by the drug cartels. Recently, smaller criminal networks have exploited local markets in Cali and Colombia, increasing territorial conflict amongst themselves and drug use amongst urban residents (particularly young people) (KI1). The increased drug use, together with gang conflict over territory and normalisation of violence, has disrupted family and community ties in the city.

*During the 1980s and 1990s violence was most intense. That was the time of the cartel in Medellín under Escobar and in Cali the Rodríguez brothers. At some point, we had bombs and violence and in the 80s and 90s homicides were high. Both cartels were dismantled in the 1990s and early 2000s and homicide rates and crimes related to drug trafficking dropped. However, urban crime and petty crime has been increasing. That's where people's perceptions are affected. Urban crime is felt more by the general population whereas before it was the traffickers and cartels that were most affected (KI1).*

*The gangs here have found a new market for drugs – our own cities, as exports become more difficult. Before the cartels used to export to the USA, Cuba or Australia. However, they have found a huge market on the streets. This is the new violence of cartels, which is like the violence on the streets of New York or Miami – places where they sell drugs (KI4).*

*The most negative aspect of violence is the breakup of families. There have been many deaths in families [because of civil conflict and drug-related conflict]. My family has suffered. The city is sometimes better than the countryside but sometimes the violence is worse. I feel this every day, when my children go out in Cali. Everyone has been victim of crime or robbery here (KI15, Focus Group with victims of displacement).*

## 5.2.2 Effects on women

Female experience of conflict is often complex and while women face victimisation and insecurity they are also active agents in resistance and conflict (Denov, 2007). This research explicitly sought to explore impacts on women, and 30% of 193 CAP thought that women in Cali faced particular problems during periods of violence. CAP claimed that women were especially vulnerable to gender-based violence and harassment (both in rural and urban areas). Furthermore, the societal roles of women were affected and defined by conflict.

### Gender-based violence and harassment

The literature suggests that gender-based sexual violence is a common outcome and strategy of conflict and it often continues in the post-conflict environment (Nordås, 2013). In Colombia, there is a traditional issue with machismo which is strongly patriarchal and influences family structures, particularly amongst Indigenous families. This machismo manifested it as violence against women in both rural areas during civil conflict and in urban areas during conflict between drug cartels and criminal gangs.

In rural areas, inter-familial violence is common, particularly amongst Indigenous households. However, sexual abuse and kidnapping of women was explicitly used a strategy of conflict in the civil conflict and, more recently, in gang violence, as noted both by a women's NGO and interviewees.

*Rural women live in an enclosed environment where inter-familial violence is common. It is physical and psychological – either from partners or ex-partners. Often women do not separate sexual violence as an offence. For instance, they will never say their husband raped them...A lot of this is about machismo – it is patriarchal, cyclical and generational. Men make the decisions in the household. Indigenous households are very closed – we find this type of violence across all ethnic groups, but its higher in indigenous families. We get women from all economic strata. The problem is economic dependency, and psychological dependency (KI19).*

*My father moved to Cali with me because the guerrillas took young women for cooking and cleaning (Female IE worker, Domestic work).*

In urban areas, the sexual abuse of women has also been a way for criminal gangs to assert authority over a territory or neighbourhoods. Furthermore, general machismo results in women being vulnerable to street rape or harassment in the public sphere and domestic violence in the private sphere.

*When I lived in Buenaventura, Valle del Cauca there were many 'casas de pique'<sup>16</sup> and many women and girls disappeared. Kidnapping and killing, and making people scared enough to leave their homes, was the way in which the gangs secured their territory by the port (Female IE worker, Trash-picker).*

*In the outskirts of Cali, in places like Juanchito, if gang members see a little girl who is very beautiful, they tell the relatives of the girl, "that girl is going to be my wife", and they rape the girl. If the family does not agree to the marriage they can kill her, and sometimes the family has to leave their house so that the gang members do not do anything to them (Female IE worker, Domestic work).*

*My sister had problems because her husband mistreated her and because he was a police officer he threatened her with weapons and told her that he was going to kill her if she left (Female IE worker, Domestic work).*

### New roles for women

Conflict sometimes has the effect of changing women's role within the household and within wider society and women often become heads of household over the course of conflict (Mallett and Slater, 2012). In urban Colombia, women's entry into the labour market began in the 1970s and 1980s before the overt violence of the late 1980s and 1990s and thus women have been working independently in the cities for some time (KI22). However, conflict in rural and urban areas forced women to become breadwinners of households as husbands, partners, sons and other family members were killed during conflict.

*All my family arrived in Cali because an armed group murdered my father. I became a moto-taxi driver and it has solved my financial problems and allowed me to support my son (Female IE worker, Transport, Moto-taxi).*

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<sup>16</sup> Casas de pique: they are houses where the criminal gangs torture and butcher their victims.

Researchers have emphasised the way in which female participation in the workforce can lead to empowerment for women (Sørensen, 1998). Some female CAP from rural areas (bound more by traditional gender roles) report feeling empowered since moving to the city.

*The only positive part of displacement was that I was able to discover strengths I did not know I had – including women’s empowerment and leadership skills. When I was in Guaviare I was behind my husband and I did not know I could be a leader. I found empowerment because of the conflict. To find a job [as a woman] is hard but the hardest part is how conflict affects our family. I live in fear for my children - two of my children use marijuana. I fear for the children when they go out that they will not come back. I fear that when I go out of the house that I may not be able to get back. I get a lot of threats because I help other women, and some people don’t like that (KI15 Focus Group, Victims of displacement).*

There have been attempts to translate livelihood opportunities into social rights and give women legal protection from cultural machismo. For instance, Law 1257 was passed in 2008 to strengthen women rights and improve legal prosecution against physical, sexual, psychological, economic and patrimonial violence. However, violence against women is still high and women continue to face discrimination in the labour market and are vulnerable to sexual harassment, leading to calls for more laws and policies centred on women’s rights.

*I believe that women have the same problems of insecurity as before. When I walk down the street alone I feel insecure and unprotected...Lately there has been reports of acid attacks on women where there wasn’t before (Female IE worker, Vendor, Mobile phone accessories).*

*We need to empower women politically and socially and mobilise women to claim their rights and to become political actors...We need to educate the public about not perpetrating violence against women so we can reduce sexual harassment both within and outside the home. It is not specific to employment but should include that (KI19).*

### 5.2.3 Effects to the supply of goods and services

Much of the conflict literature focuses on the devastation to physical infrastructure and the disruption to the supply of goods and services impacting on the assets and livelihoods of the urban poor (Luckham et al., 2001). In Cali, many CAP reported difficulties during the period of high conflict between drug cartels and gangs, when electricity and water supplies were deliberately disrupted as a means of urban control, and crime prevented local authorities supplying the city with public services.

*Before public services were very bad. Sometimes services were provided and at other times they were not. In certain low-income neighbourhoods, public services such as water and electricity were rationed, and we sometimes had to wait for 6 to 12 hours without services (Male IE worker, Vendor, Jewellery).*

*During the times of violence, criminals put bombs on power plants, affecting the supply of electricity and water in some areas of the city...there were frequent blackouts and we had to light candles (Female IE worker, Domestic work).*

*The water and light meters were stolen very often. The counters are made of copper and that material is very easy to sell (Male IE worker, Construction, Labourer).*

Transport was also a gang target, and buses and taxis (*piratas*, moto-taxis and bici-taxis) were attacked, and drivers and passengers subject to extortion, if they entered particular areas. Low-income *barrios* (neighbourhoods) were mainly affected by lack of public services, and the establishment of ‘no-go’ areas, which were off limits for the police and officials, increased insecurity before 2013.

*The busses did not go up to our neighbourhood because the gangs ask them for money and extort them (Male IE worker, Transport, Pirata).*

*Security was bad because the police were very afraid to get into their neighbourhood. Also for that same reason there was little transportation. Public services were intermittent and sometimes they lasted a week without water (Male IE worker, Construction, Labourer).*

### 5.3 Effects of conflict on the informal economy

As the literature suggests, during conflict, economic turmoil leads to high inflation, loss of formal work and civil unrest. Initially, livelihoods are more constrained as vulnerability is heightened and formal job opportunities reduced (Farrington, 2015). However, as the conflict develops there is generally a large increase in the urban IE as it expands to provide livelihood opportunities to vulnerable and displaced people (Beall and Schutte, 2006).

Different periods of conflict affected the city of Cali, and the residents of Cali, in different ways, but this section looks at the impact of conflict on the urban IE generally as well as the way that individual livelihoods responded in the short and medium term.

### 5.3.1 Short term effects

In urban-centred conflict, livelihoods are often destroyed in the short-term (Farrington, 2015) and many CAP saw their urban livelihoods directly affected in periods of overt violence.

Conflict often precipitates a gradual decline of formal employment and real wages, forced asset sales and declining consumption (Luckham et al., 2001). This has an effect on the GNP (as it becomes stagnant and hyper-inflated) but also on the poverty levels and livelihood opportunities of the urban poor. In Cali, jobs in the transport and construction industry were limited because of the threat of extortion from guerrillas or cartels.

*When I was working as a truck driver before 2000 I could not transport myself at night because of the insecurity. It was very dangerous as there were 'pesca milagrosa'<sup>17</sup> (Male IE worker, Transport, Pirata)*

*Violence greatly affected the construction industry because cartels threatened the bosses who were planning the construction projects if they were on their territory. Many construction projects were cancelled because of safety issues and people lost their jobs (Male IE worker, Construction, Labourer).*

*17 years ago, while I was working I was robbed and shot in the head. It was very serious for a while. That's how I lost one of my ears (Male IE worker, Transport, Pirata).*

Urban residents that lived or worked in low-income areas and areas controlled by cartels or criminal gangs were particularly affected as they were caught in the cross-fire of gang conflict or vulnerable to extortion and *vacuna* requests for permission to work. Some IE workers were displaced from their homes whilst others had to close businesses in certain areas because of safety issues or lack of consumption. As a result, gang violence significantly affected jobs and income, especially for businesses dependent on public space.

*In a very poor neighbourhood that is close to my house illegal armed groups charged people living in the neighbourhood a value of COL 2,000 every time they wanted to go through a place. If they went through ten times, they were charged ten times. They also had to pay COL 5,000 for gangs to 'take care of things' and prevent gangs stealing their belongings (Female IE worker, Domestic work).*

*There were invisible borders in the Siloé area and a fear of stray bullets (Male IE worker, Trash-picker).*

*I lived in a neighbourhood called Decepaz<sup>18</sup> where there were two gangs that fought over territories all weekend. For security reasons, I couldn't even go out to work so I stayed at home. It was horrible but I couldn't risk exposing myself and putting myself in danger. At certain times, I couldn't even walk around my own neighbourhood. These gangs fought for contraband, and had over 30 members some of them aged 15 and 16 (Male IE worker, Construction, Labourer).*

*I began a business selling fruit and vegetables but people stopped buying because of my neighbourhood's insecurity. Therefore, the business went bankrupt (Male IE worker, Vendor, Fruit).*

### 5.3.2 Medium term effects

Generally, in the immediate aftermath of violence or conflict, the IE performs a vital labour-absorbing function through its ability to provide poor citizens with employment opportunities despite of, or because of, crisis (Vaillant et al., 2014). These livelihood strategies are driven by blended motives of coping and survival, adaptation and accumulation, and demonstrate the resilience of the IE and its workforce (Farrington, 2015).

In Cali, increasing violence and lack of security in the 1980s and 1990s (due to drug cartels) and in the 2000s (because of the proliferation of gangs) opened spaces for informal work and different types of informal economies sprung up in Cali after periods of violence. These economies tended to vary in response to the particular type of

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<sup>17</sup> *Pesca milagrosa* (miraculous fish) was the process by which guerrillas stopped cars and kidnapped people if they thought that the person or family of the person could have money for extortion purposes.

<sup>18</sup> Decepaz is a neighbourhood in Comuna 21 in Cali (Low-Low strata).

conflict at the time and some, while providing livelihood opportunities, had negative consequence on Cali generally. Three main economies will be discussed below:

- conflict economies
- replacement economies
- sharing economies

### **Conflict economies**

Some writers have discussed the emergence of 'war economies,' which are inherently informal and linked to the markets connected to the armed violence of war (Taylor, 2014). These violent economies, which include the sale of and use of arms and opportunistic robbery, looting and extortion, are attempts to provide alternative sources of income and accumulate assets in the midst of chaos (Davis, 2012).

In Cali, the drug-trafficking and cartel wars precipitated a large smuggling economy of drugs, weapons and other contraband goods. Since the destruction of cartels, the drug economy has found a local market and there is an increase of drug-dealing and drug consumption within the city itself. Increased urban violence during this period has also triggered a weapons' market and people may carry knives or guns for self-defence.

*During the 1980s and 1990s violence was most intense...It was mostly cocaine that the cartel smuggled...Before, in poor areas we had poverty but not violence. Now we have poverty, crime and violence. Before you could walk in poor areas but now...you can't carry mobile phones. This is because of the drug trafficking and violence. The boom was in the 1990s but then the drug lords were taken but the micro traffickers stepped in when the lords were gone and its micro traffickers who are now the problem (K11).*

*All the money from illegal trade is invested in Cali. Cali is the headquarters of illegality. At the higher levels its gota-a-gota, contraband and micro-trafficking (K113).*

*The gangs here have found a new market for drugs – our own cities, as exports become more difficult. Before the cartels used to export to the USA, Cuba or Australia. However, they have found a huge market on the streets. This is the new violence of cartels, which is like the violence on the streets of New York or Miami – places where they sell drugs (K14).*

*The entry of illicit products into the country such as drugs and weapons has increased...now there is more sale and consumption of drugs in the neighbourhood. There are groups that sell a lot of drugs here (Male IE worker, Construction, Labourer).*

*Many people began to carry arms illegally due to lack of security. I carried a knife to defend myself when I used to bus fruit and vegetables from the market at 3am (Male IE worker, Vendor, Fruit and vegetables).*

*People started to have weapons to protect themselves. I tried to get a gun. However, it was very expensive. The price of a low-calibre weapon is COL 5,000,000 (Male IE worker, Construction, Labourer).*

As well as illegal trade, extortion, contract killing and robbery have been used by drug cartels and criminal gangs to raise revenue and control territory.

*There is a relationship between homicide and economic activity...There is an 'oficina de cobro' which is essentially where people go and pay for a murder to be committed. The office hires someone like a pandilla (thug, gangster) to do the killing. It is a hidden world economy. The paid killers move to extortion and force people out of their homes – they are the gota-a-gota people – the debt collectors. These people also extort small businesses. This is all part of organised crime... Robberies are also part of the problem...When a gang is neutralised there is a reduction in crime (K19).*

*Robbery rates have increased...hot-spot analysis shows that murders are located in the East (poorer areas), whereas the robberies are mainly in the higher income areas...there's a robbery every 12-14 minutes and here we're only talking about the robberies that get reported. Robberies are also associated with the MIO, food businesses and liquor stores (K15).*

Conflict economies allowed for the proliferation of other businesses that were reliant on lawlessness and violence. Many informal security firms emerged in Cali over the conflict-affected years which, in the absence of police presence in low-income, gang-controlled urban areas, presented work opportunities.

*People have always looked for a way to protect themselves. People who have money hire security escorts (Female IE worker, Vendor, Confectionary).*

*We employed a group of young people to keep the neighbourhood safe. We paid them about COL 10,000 and there were two people on each block blowing the whistle if they saw any violence or robberies (Male IE worker, Transport, Bici-taxi).*

### **Replacement Economies**

In Cali, the IE became vital in replacing services and utilities disrupted by cartel and gang warfare which provided livelihood opportunities and replaced key goods and services which had been disrupted. The CAP were asked if any informal replacement services emerged over the period of conflict when water and energy supply was disrupted and 'no-go' areas limited the provision of transport and services in some areas of the city. The responses suggested that the main demands for services were with water and transport, often at high cost.

*When there was no water [during conflict periods] people began to sell water. They bought it for a lower price and then sold it at a more expensive price (Female IE worker, Vendor, Arepas and sausages).*

*Sometimes one person that had a jeep brought water to the neighbourhood all the way from Siloé. He used to transport water in a plastic bottle that had around 6 gallons of water and he sold it at COL. 1,000. He used to go almost every Tuesday, Thursday and Saturday night (Male IE worker, Construction, Labourer).*

Public buses were targets for extortion if they entered gang-controlled areas (Section 5.3.1) and over the course of conflict bici-taxis, moto-taxis and *piratas* replaced publicly-supplied transport services. However, these drivers also faced the threat of extortion.

*Before there was no public transport services in certain areas because they were very insecure areas so we provided the transport (Male IE vendor, Transport, Moto-taxi).*

*The level of harassment increased [over the period of conflict] because in some areas gangs collect vacunas and extortion in order to let you work (Male IE worker, Transport, Moto-taxi).*

*There was no transport in some areas and only some from that area provided transport (Female IE worker, Vendor, Avocado).*

### **Community Sharing**

The section above demonstrates how, after water supplies and transport systems were disrupted during conflict, entrepreneurs stepped in. However, private provision was generally expensive, which encouraged community sharing and self-help initiatives by conflict-affected communities. The self-help approach is common when crisis hits and 'communities are unique and have their own local needs, experiences, resources, and ideas about...response to and recovery from different types of disasters' (Longstaff et al., 2010). CAP reported that security, transport and food were all shared amongst conflict-affected communities.

As discussed earlier in the section in the absence of policing, CAP employed guards and informal security services to counter gang-related violence. Often, communities clubbed together to protect each other or share the cost of security.

*The police do not visit the neighbourhood where the informant lives, so security is achieved because the neighbours get together and agreed to protect each other (Male IE worker, Trash-picker).*

*There were many people who associated and made support networks to protect everyone's assets in the community. People bought alarms to protect themselves from thieves and to catch them (Male IE worker, Vendor, Fruit and vegetables).*

*Low-income people held 'mingas', which were parties to collect money in order to pay for public services such as electricity (Male IE worker, Vendor, Flowers).*

*I pay COL 100,000 every month with twelve other people. These community systems are all forms of non-state governance. Some run on their own terms. It is because state programmes, such as *Policía por cuadrante* (block neighbourhood policing) fail (K111).*

Transport, food and water were also shared by CAP. Some community sharing initiatives are introduced and run by NGOs or more formalised community associations whilst others are performed on a more ad-hoc basis through good-will gestures.

*There is food sharing for when the situation is hard, and we also share transportation (Male IE worker, Trash-picker).*

*Where I live now there is a community kitchen that works with donations. We can get food for COL 1,500 or COL 2,500 and when we don't have enough money we go there to eat. I think that was established by an NGO (Female IE worker, Domestic worker).*

## 5.4 The informal economy in transition

In the immediate post-conflict phase, economic recovery and development can begin and the IE tends to grow rapidly (Beall and Schutte, 2006). This section looks at the period after 2016 when the authorities' move against gangs decreased the rate of homicides and other gang-related crime in the city, and when the Comprehensive Peace Accord brought an end to the country's 52-year civil war. It will look at the changes to societal and business environments and the way this impacted the urban IE.

### 5.4.1 Effects of transition in the IE

CAP and current IE workers noted how, over the period between 2013-2016, the fight against gangs and Comprehensive Peace Accord of 2016 has resulted in reduced violence in the city, which has made working environments safer and increased profitability within the IE. This increase in security and law enforcement has enabled the IE to flourish. One KI from the Municipality estimated that 90% of people in Cali are engaged in the informal sector which ranges from trash-picking at a low level to 'big businesses' (KI13). Reports of increased informal work from KIs are backed up by the interviews with 193 CAP amongst the 244 current IE workers, who claim that rural-urban migration, and international migration from Venezuela is increasing due to the sustained peace and improved livelihood opportunities in the city. Some IE workers are also benefitting from a decrease in harassment from local authorities which increases business viability. Increased security for street vendors may also be due to recent *tutelas*<sup>19</sup> that give them protection from evictions (Section 2.5).

*The violence was the way that the informal economy increased. The war displaced a lot of people from other cities and rural areas. Thus, there are more informal economy workers because people needed to survive. People avoided getting involved in jobs like robbing, killing and extortion through having informal jobs (Male IE worker, Vendor, Fried potato and sausages).*

*The informal economy has increased but what was promised in terms of social investment [in rural areas] after the peace agreements has not been fulfilled so there are more people in the city and with more need to work (Female IE worker, Vendor, CDs and DVDs).*

*The informal economy has increased because people can have their business with tranquillity due to a decrease in extortions from gangs (Male IE worker, Transport, Moto-taxi).*

*The police used to be rougher with street vendors – they threw them on the floor and damaged their products, but now they have to put up with it (Male IE worker, Vendor, Magazines).*

Though the IE has increased since 2016, the effect on individual businesses can be debated. Of the 244 current IE workers, 66% had seen no business change in terms of profit over the last five years. Furthermore, only a few felt that the fight against gangs (8%) or the peace agreement (9%) or both (6%) had had a significant impact on their business by increasing security. The other 77% felt that their businesses were still being jeopardised by high levels of unemployment, competition, lower profitability and urban crime (Section 4.3), particularly in low-income areas.

*The informal economy in general has increased because there are more street vendors. Venezuelan immigrants have dedicated themselves to informal work to survive (Male IE worker, Vendor, Confectionary).*

*The business has declined because there are many people who work in the construction sector. Therefore, the payment has decreased (Male IE worker, Construction, Labourer).*

*The reduction of violence is well perceived generally but in places like Siloé and Agua Blanca gang power is still persistent (KI9).*

*Gang-related violence is down sharply, but drug trafficking deaths have gone up. The city has over 60 gangs...the homicide rate has seen a sustained decrease, but it is still much higher than the national average or in other large cities. In Cali, 70% of occurrences are concentrated in 15% of neighbourhoods, often the poorest neighbourhoods, with high levels of school dropouts and lack of public services etc. (KI3).*

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<sup>19</sup> A tutela is an easily accessible legal mechanism used by ordinary citizens to claim protection of their constitutional rights.

## Sectoral change within the urban IE

While the urban IE generally increases during and after periods of conflict, specific sectors and businesses change more than others. The growth of these sectors can have different implications for development (Mallett and Slater, 2012).

### Transport

As discussed in Section 5.3.2, informal modes of transport such as bici-taxis, moto-taxis and replaced public busses when they were targets of extortion in periods of violence. The introduction of the MIO bus rapid transit system in Cali has also opened opportunities for informal transport provision, as the MIO as replaced bus services, but has limited connectivity in certain low-income neighbourhoods, and has been accused of being slow and expensive for IE workers.

*There are more piratas because informal transport is cheaper than formal transport (Male IE worker, Trash-picker).*

*The piratas have increased because the government removed the municipal buses and put in the MIO transport system. People prefer piratas as they have to wait a long time for an MIO buses and they are vulnerable to theft (Male IE worker, Vendor, Confectionary).*

However, transport workers are vulnerable to extortion from traffic police (Section 4.3.5) and are targets of violent robbery and organised crime (Section 4.3.7). Furthermore, increased demand for informal transport has increased supply and thus competition, which has hindered profitability within the sector. It has also increased traffic congestion.

*My business has been affected as more and more people, such as the Venezuelans come to work as bici-taxi drivers (Male IE worker, Transport, Bici-taxi).*

*Sometimes you hear that moto-taxi drivers complain because piratas take away their passengers as piratas charge cheaper rides (Female IE worker, Domestic-worker).*

*The piratas have increased because of the guerrillas displaced people from rural areas. It is hurting business (Male IE worker, Transport, Pirata).*

*Before, when there were public buses the city was quieter. Since the buses were replaced by the MIO, people preferred to resort to informal transport due to the poor service of the MIO, but now this city is filled with private cars and there is more congestion on the roads (Male IE worker, Transport, Pirata).*

### Street Vending

Since the fight against gangs commenced in 2013 there has been a general proliferation of street vendors and increasing security on the streets has enabled fast business start-up and boosted consumption, particularly businesses selling fast food.

*It's more likely to find street vendors that sell food like arepas, that's becoming pretty common (Male IE worker, Construction, Labourer).*

*Street vendors have increased but it is mainly fast food places (Male IE worker, Vendor, Juice).*

While street vending provides jobs to low-income urban residents, in contemporary Cali, street vendors are often vulnerable to harassment from local authorities (Section 4.3.5) and gangs (Section 4.3.6) while operating spaces are inadequate or dangerous (Section 4.3.7). Furthermore, the proliferation of vendors has increased competition in the city which has development implications for city planning and can impact on other IE workers and residents who use public space.

*There is too much congestion due to the increase in sales on the street (Male IE worker, Construction, Labourer).*

*Some informal workers cause problems because they do not respect public space. Street vendors I know should be aware that they are invading the public space (Male IE worker, Vendor, Fruit and vegetables).*

*Venezuelan sellers have increased so there are more people selling prepared foods and sweets (Female IE worker, Vendor, Cigarettes)*

While the increase in food-selling has been notable, a trend that seems to be partly associated with the introduction of the MIO, there has also been an increase in contraband goods, and goods imported from China,

as well as the continued drug trade. Although imported goods provide cheap products for vendors, the influx has had a detrimental effect on the demand for locally manufactured goods produced in Cali, while the continued trade of drugs and contraband goods cements the association between the informal economy and illicit activity in the city (Section 4.3.4).

*A lot of imported stuff arrives. In fact, the cheapest merchandise comes from China. That's why sales are difficult - there's a lot of cheap goods (Male IE worker, Construction, Skilled worker).*

*There are more imports. Chinese imports have decreased sales of Colombian artisans (Female IE worker, Vendor, Handcrafts).*

*There has always been contraband. Now there's even more - you can see shipping containers from China or Panama (Male IE worker, Vendor, Juice).*

*Smuggling has increased and there are cheaper shoes and clothes from China (Male IE worker, Trash-picker).*

## 5.5 Contribution of the informal economy to development

This section focuses on the contribution that the urban IE has had, and can continue to have, on development outcomes in the city of Cali.

### 5.5.1 Economic growth

The importance of economic growth in conflict reduction in post-conflict settings is continuously highlighted. If combined with higher post conflict incomes for urban populations, economic growth can significantly reduce the risk of further war (Collier et al., 2008; Fearon and Laitin, 2003).

In post-conflict Cali, the lack of formal work and significant levels of unemployment among young people means that the IE is vital in sustaining the livelihoods of the urban population. Current IE workers and KIs highlighted the ability of the IE to absorb low-income urban residents, migrants, the young and unemployed or those with limited formal education due to the relatively low skill level and start-up capital required.

*The informal economy helps with unemployment more than formal companies as there aren't so many requirements to work and young people can easily enter it (Male IE worker, Construction, Labourer).*

*Cali is a city with a lot of unemployment and informal work is a way to help reduce unemployment because it is difficult for the government to work for all people (Female IE worker, Vendor, Homeware).*

*The informal economy generates employment for Venezuelans who have migrated and people from Aguablanca (Male IE worker, Transport, Pirata).*

Interviewees also documented the links between informal and formal business, and the way in which the IE provides liquidity to local economic markets. Some IE workers also highlighted the ability of IE businesses to expand and/or formalise which signals the ability of the IE to contribute to wider economic growth beyond the household.

*Construction generates many jobs for informal workers. It also provides demand for construction materials and so informal businesses that sell those products prosper. When people are employed [in the informal economy] it means they can consume things in the formal market which benefits the city in terms of taxation (Male IE worker, Construction, Labourer).*

*The informal economy generates a culture of entrepreneurial enterprise that starts in this sector but then may grow to formal (Female IE worker, Vendor, Food stuffs).*

*I interviewed one lady who could not pay her services like electricity and water. She had to borrow CO 100,000. She pays 6,000 every fifteen days. She bought chicken, fried it and made a lot of money and now has now grown her business to start selling plantains<sup>20</sup> (KI11).*

Although it is widely believed that there is under-collection of tax and service payments by IE workers, many are paying both fees and high costs for infrastructure and *gota-a-gota*. If these payments could be replaced by official payments the contribution of the IE to local economic development could be improved.

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<sup>20</sup> Plantains are a type of bananas, often cooked

*Informality causes problems for the government because they are not generating income from informal work. If the business could pay a small tax then government could get a little profit. But if they take half of the profit it would not work and it is the formal economy (Male IE worker, Transport, Pirata).*

*Some informal business can pay VAT and they could contribute more if the government charged tax (Male IE worker, Construction, Labourer).*

In addition, IE workers are still facing discrimination and exploitation, particularly in domestic work, which is problematic for the long-term development of Cali (Section 4.3.3). Harassment and extortion from local authority officials and criminal gangs, and vulnerability to urban crime, especially amongst businesses operating from public space, also hinders the ability of the IE to contribute to economic development. Furthermore, the growth of some sectors within the IE is problematic. While informal transport has provided employment and services to low-income urban residents, IE workers face extortion from local authorities and are targets of urban crime. Similarly, while increased vending opportunities are important for job creation and livelihood survival, the continued selling of drugs is detrimental to long-term development objectives in Cali, and the unfavourable effect of imported contraband is yet to be fully ascertained. The development of these sectors raises questions about when and how government and other local actors intervene.

### **5.5.2 Poverty reduction and conflict prevention**

It has been argued that economic growth without social policies which alleviate poverty at household level does not reduce the risk of conflict (Mallett and Slater, 2012). Indeed, both the onset of conflict, and participation in conflict, have been linked to high unemployment and low household income (Justino, 2011).

As demonstrated earlier in the chapter, the IE provided employment in Cali to vulnerable city-dwellers to build resilience and household income in the city during conflict. The Comprehensive Peace Accord, fight against gangs, and for street vendors and waste pickers *tutelas* that protect their working rights, have provided a more secure business environment for IE workers, especially for young people who may have been surrounded by urban violence with limited job opportunities.

*Informal workers contributed to the decrease in violence because they worked and their families benefitted. Violence and crime increase when there is no employment (Male IE worker, Vendor, Juice).*

*Informal workers contributed to reducing violence because there were many people who devoted themselves to informal work instead of being criminals (Male IE worker, Construction, Labourer).*

*The informal economy is the way to earn a living for many families. Since 2016 it has increased and people earn more than the minimum wage by working informally (Male IE worker, Transport, Bici-taxi).*

The ability of the IE to absorb vulnerable groups such as migrants, youth, ethnic minorities and women is beneficial for poverty reduction and conflict prevention, particularly in Cali, where there are high levels of socio-economic and ethnic disparity and exclusion. However, in Cali, continuing violence and high crime levels, corruption and lack of support for the IE (Section 4.3.3) restricts the ability of IE works to enter, grow and thrive within the sector which leads to unemployment and poverty at household level. Underlying problems of lack of employment have not been addressed, and while senior gang members have been picked up by the fight on gangs, promised government support after the peace accord has not materialised, and many junior former gang members have lost status and are now turning to petty crime, drug use and extortion (Section 5.4.1). These trends threaten the precarious peace within Cali.

*The informal economy has increased. After the peace agreement we were promised social investment but it has not been fulfilled. In fact, there are more people in the city [because of rural migration] with more need to work (Female IE worker, Vendor, CDs and DVDs).*

*The informal economy has improved because people can have their business with tranquillity due to increased security and decreased extortion. However, the government does not allow informal workers to work because the government forces informal workers to withdraw from the public space (Male IE worker, Transport, Moto-taxi).*

*There is more unemployment, therefore, there are more people on the street looking to earn a living. The first thing unemployed people seek is informal jobs or jobs in crime (Male IE worker, Transport, Bici-taxi).*

*We see a connection between all crimes and murders. When a person starts in criminality, they jump from one crime to another – if the authorities don't prevent this, there are significant consequences. There's a career from theft to murder. Also, there's like an echo. For each murder, there are very many other crimes that were committed before we reached the murder (KI5).*

The importance of the IE to poverty-reduction, economic growth and conflict prevention cannot be underestimated. However, in Cali, certain ethnic groups, low-income populations, young people, women and those working in particular sectors remain vulnerable within the IE, and others cannot access it and resort to petty crime. Therefore, emphasis on the quality of economic growth, rather than the rate, will ensure sustainable poverty-reduction by generating sufficient employment and even distribution of resources for vulnerable workers in the IE (CPAN, 2013). Small-scale sector-specific changes supported by central and local government and other urban actors can often avoid further disenfranchisement and marginalisation.

## 5.6 Innovations in peace-building and support for the informal economy

The coordinated data-driven approach to reducing homicides in Cali has entrenched a spirit of innovation and experimentation that is usual amongst government and public service authorities. Some of this is led by changes in the constitution and effective advocacy by NGOs and informal workers, but there is also a willingness to seek non-conventional solutions to difficult problems.

### 5.6.1 National initiatives

In 1991 Colombia enacted a new constitution. This reform had two direct implications on the informal economy: i) local governments were granted more powers by decentralizing policy actions from the central government. This shift translated the responsibility of regulating and implementing programs aimed at reducing informality to the local governments. ii) the New Constitution created an innovative legal instrument called a *tutela*. This instrument allows any citizen to make claims to protect fundamental rights without the intermediation of a lawyer. All judges must revise *tutelas* within ten days, making this mechanism an efficient and cheap way for citizens to claim the protection of fundamental rights (Delaney, 2008; Taylor, 2018).

**Protection of street vendors:** Among informal sector trades in Colombia, street vending is the informal activity that has been subject to the longest period of control. Regulation dates back to the 1930s when the government elicited a legal framework concerning the control and regulation of its expansion. This regulatory system remained in effect until 2003. Under this framework, street vending was deemed an illegal appropriation of public space, and local governments were granted the capacity to evict street vendors from their vending sites and confiscate their merchandise (Donovan, 2008).

In 2003, after the review of several *tutelas* presented by street vendors in Bogotá, the Constitutional Court revised the legal framework and deemed street vendors a vulnerable group who have rights over public space. Since then, street vendors have been protected by law, and cannot be evicted from public space unless they are offered equivalent space or better income generation opportunities. Consequently, removing street vendors from public space has become very costly for local governments. Given the lack of resources to provide stable jobs or equivalent income, occupation of public space by street vendors to sell goods has expanded in the city (Martínez & Short, 2017).

**Protection of trash pickers:** Trash pickers are also protected in their right to work as a consequence of a *tutela* and Supreme Court ruling in 2009, which requires that local government promote the inclusion of trash pickers in formal solid waste management systems, and implement social programs designed to improve their living conditions. In Cali, despite several interventions and programmes, the living conditions of trash pickers have improved only marginally, and trash pickers are the most impoverished and vulnerable population amongst the informal workers in Cali (Estrada et al., 2017; Martínez & Short, 2017).

### 5.6.2 Local initiatives

From 2012, local government implemented several programmes aimed at reducing informality, poverty, and crime. The last two administrations (under mayors Rodrigo Guerrero 2012 – 2015 and Maurice Armitage 2016 – 2019) invested significantly in social programmes. Guerrero invested in reducing crime and created TIOS (*Territorios de Inclusión y Oportunidades* – Territories for Social Inclusion) implemented in the most impoverished districts of the city, and several programmes to improve trash pickers' living conditions. Armitage retained several social programs started by Guerrero and invested notably in education. Likewise, under the Armitage administration, street vendors and informal workers such as illegal transport workers experienced less harassment from the government.

The continuity of these programs has been on hold. In January 2020, a new mayor was elected, Jorge Ivan Ospina, but three months after the new government took place the Covid-19 crisis used all the government's available resources.

### City-level policy interventions

Various policy interventions in Cali have sought to improve working conditions and quality of life for informal economy workers with some success (Martínez and Short, 2017; Estrada et al., 2017).

Among the most innovative is the programme launched in 2018 by Metro Cali S. A., operator of the bus rapid transit system, MIO (*Masivo Integrado de Occidente*), for street vendors who had worked on old buses and around bus stations. The programme seeks to help vendors to continue operating in the new rapid transit system and to improve their working conditions. Initially, 600 street vendors already working on the buses were the target beneficiaries. Street vendors are invited to register, given an ID card, and offered a specially designed pocketed vest and wheelie bag. Three additional initiatives have also been established to help participating vendors earn extra revenue:

1. *Mecato popular* (popular goodies) provides elderly street vendors with a special stand to sell sweets and snacks in the lobbies of public buildings.
2. *Loncheras* (lunch boxes): using contacts with the private sector, street vendors are provided with reduced-cost lunch boxes for school children.
3. *Ventas multi-nivel* (multi-level sales); women street vendors can work as agents for participating companies – at present they sell beauty products from catalogues, which offer better working conditions and the same flexibility as street vending.

Further proposals include access to micro-credit, street food trucks and the inclusion of street vendors at bus stations, to provide information, security and help operate public restrooms as well as selling goods.

The urban regeneration office, EMRU (Empresa Municipal de Renovación Urbana), was created in 2002 as a state company to carry out comprehensive urban development projects derived from the strategic land use plan, the Plan de Ordenamiento Territorial P.O.T. del Municipio de Santiago de Cali. EMRU has included street vendors in a number of projects.

### Impact of Covid-19

Informal workers in Colombia have benefited from some government support systems. Trash pickers in Bogotá had benefited from years of advocacy by their organisations for inclusion in formal public service recycling, and regular payment for their services. Their first strategy was to lobby for the declaration of trash picking as an 'essential service', ANR (*Asociación Nacional de Recicladores* – the association of trash pickers), and they achieved designation under National Decree 457 of 2020. Trash pickers are required to wear gloves and masks, fluid resistant gowns and disinfection measures at sorting centres. To retain their market, they also lobbied for some companies which bought their materials to be designated as 'essential' as well (WIEGO, 2020).

Despite the government's efforts to reduce informality and poverty, informal workers in Colombia and Cali remain economically and socially vulnerable in many ways. They suffer from inadequate access to education, and their job provides both an unstable income and harsh working conditions. Furthermore, they tend to be excluded from formal economic structures, like regulated banking systems and retirement plans. Nevertheless, the new constitution and the creation of *tutelas* have created an awareness of informal workers' needs for promoting local economies and providing income for the poor. Although insufficient, each local administration has allocated resources for informal workers and enabling initiatives to improve their living conditions.

## 5.7 Key findings

Different periods of conflict in Colombia up to 2013 had complex causes and manifestations and affected rural and urban communities differently. Of the 244 IE worker interviewed, 77% were directly affected by conflict at some point in the period. Loss of life, displacement, lootings, robberies and disruption to livelihoods were a feature of civil conflict, drug-related conflict and criminal gang violence and affected people in both rural and urban areas.

Women are particularly vulnerable in conflict-affected situations and may have experienced unique effects of gender-based violence but also new livelihood opportunities. In Colombia, there is a traditional issue with machismo which is strongly patriarchal and influences family structures and this manifested itself as violence in both rural and urban areas. Though women in urban Colombia have been working independently for some time, conflict forced women to become breadwinners of households as family members were killed during conflict. While this has led to empowerment and increased livelihood opportunities for some, women continue to face discrimination in the labour market and are vulnerable to sexual harassment in the public and private sphere.

Conflict has had numerous short-term, medium-term and long-term impacts on the urban IE in Cali:

- **The short-term effect** was a decline in formal employment which affected informal jobs in transport and construction among others. Increasing insecurity in low-income areas of the city also disrupted livelihoods as IE workers were caught in the cross-fire of cartel or gang conflict and vulnerable to extortion. Disruption to public services such as transport, electricity and water supplies, and decreased consumption, also affected informal work.
- **In the medium-term** the IE provided a vital labour absorbing function for poor urban residents. Lack of security precipitated the rise of conflict economies, however, replacement services and community sharing also increased to provide goods and services to conflict-affected residents.
- **In the longer-term**, the IE increased dramatically as political stability, increased urban security and decreased harassment from local authorities enabled the speedy establishment and operation of new businesses and employment opportunities for city-dwellers and new migrants. Specific sectors have been particularly successful in this period and there has been an increase in transport and vending opportunities. However, transport workers are often targets of violent robbery and *vacunas* and the continuing trade in drugs and contraband goods has development implications for Cali.

The IE has huge potential to contribute to ongoing development outcomes in Cali:

- **Economic Growth** has been cited as a major requirement for long term peace in conflict-affected countries. In Cali, the IE enabled low-income urban residents, migrants, the displaced, the young and unemployed people to sustain household livelihoods during conflict, and in the post-conflict environment businesses have been able to flourish due to the low start-up capital and skills required. The informal sector has also linked with the formal economy which allows for the accumulation of capital and business growth. However, there is an under-collection of tax and service payments and while many IE workers are paying both fees and high costs for infrastructure and *gota-a-gota*, official payments could increase the contribution of the IE to local economic development. The lack of government policy and protection for IE workers further limits this. That said, the scale of the IE and the fact that it provides around half of urban employment demands that it be a primary focus for economic and social planning.
- **Poverty reduction and conflict prevention** have also been linked in development literature and there is evidence that an effective IE can reduce the likelihood of further violence by providing employment and household income. In Cali, the IE has provided many jobs to conflict-affected and vulnerable people such as migrants, youth, ethnic minorities and women is beneficial for poverty reduction and conflict prevention. However, in Cali, continuing violence, high crime levels, corruption, competition and unemployment, particularly in low-income areas, restricts the ability of IE works to enter, grow and thrive within the sector and the ability to absorb these groups is vital for both poverty reduction and continued conflict prevention.

Going forward, an emphasis on the quality of economic growth, rather than the rate, will ensure sustainable poverty-reduction by generating sufficient employment and even distribution of resources for vulnerable workers in the IE. Furthermore, small-scale sector-specific changes supported by central and local government and other urban actors can often avoid further disenfranchisement and marginalisation of these groups.

Street vendor, downtown Cali



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# 6. Conclusions

## 6.1 Introduction

This chapter summarises the key findings from the report.

## 6.2 Summary of key findings

In most developing cities globally, urban policy marginalises the IE, despite the IE providing vital employment to urban citizens (Lyons et al., 2012). In Cali, 85% of current IE workers admitted facing challenges at work. The main challenges were:

- **Vulnerability and multiple jobs:** 18% of current IE workers had witnessed a decrease in business or turnover since 2013, threatening household resilience, and the difficulties of earning a decent living forced many current IE workers to adopt multiple livelihoods, changing work frequently or holding secondary jobs in order to diversify their income.
- **Lack of inclusion in government policy:** Though a national government drive to formalise informal work, acknowledges the rights of IE workers, it awaits implementation. Furthermore, the drive has resulted in neglect for the implementation of protection and local support systems for the urban IE. Therefore, the IE remains unrecognised in labour law and policy, and there is no enabling regulatory framework. While this means that IE businesses can easily established, IE workers lack protection and face difficulties with local authorities.
- **Problems with local authorities:** Globally IE workers are vulnerable to victimisation, police harassment, evictions and confiscations. In Cali, 29% of current IE workers had experienced these problems. Of those, IE workers who operated from public space, such as transport workers, vendors and trash pickers were most vulnerable and likely to be affected. The biggest complaints were about harassment, a lack of institutional trust in local authorities, and association of the IE with criminality.
- **Economic variables and low income margins:** Informal payments, the need to use *gota-a-gota*, municipality fees, competition and theft all affected the profits that current IE workers in Cali could gain. These problems were exacerbated by a lack of business training and access to capital, which influences the capacity for business growth. In the absence of a secure income, remittances and informal cash transfers allow IE workers to survive, although cash transfers were relatively rare amongst interviewees.
- **Difficulties with infrastructure and operating spaces:** Over 39% of current IE workers interviewed cited the lack of safe and secure operating spaces, and an absence of occupational safety and health workplace conditions, as major challenges to business. Problems were exacerbated by the low levels of physical safety in Cali with only 34% of current IE workers reporting that they felt 'very safe' in their working environment. Lack of physical safety was particularly acute in low-income neighbourhoods, and 57% of IE workers living in Low-Low strata districts appeared to suffer from violence and extortion, and transport workers were targets of organised crime and violent robbery in the city. Working spaces for women were highlighted as being particularly inadequate, with women reporting high levels of sexual harassment at home and in the public realm. While political action was highlighted as a potential solution to such problems, only 12% of IE workers thought the municipality had any power in the city.

Within the IE there are vulnerable groups emerging who are more affected than others by the challenges above. Internal migrants, and those who live in Low-Low strata districts of the city tend to have less formal education than their counterparts while more indigenous people live in low-income areas than other groups. Trash pickers, domestic workers and women are more likely to receive lower incomes than men or workers in other sectors while trash pickers, vendors and transport workers suffered from harassment, eviction, *vacunas* (informal payments), confiscation and theft, both from local authority staff and gangs.

The report identified several key protections that could alleviate the challenges and problems in the contemporary IE in Cali:

- **Policy inclusion:** to genuinely support and empower IE workers and their businesses. Small-scale enabling actions would raise the profile of the IE in government agendas and help alleviate discrimination, exploitation and social exclusion by providing rights to the disenfranchise, especially low-income workers, indigenous populations, migrants and women. Work must also be focussed on alleviating the stigma

associated with informal work and the, sometimes unfair, association with crime, which is reliant on strong governance at local level.

- **Protection from extortion and harassment from local authorities** is critical for some of the most vulnerable workers, especially those working alone in the public sphere such as vendors, trash-pickers and transport workers. This must focus on the most vulnerable groups such as transport workers and vendors who operate from public spaces.
- **Support for associations:** Enabling workers to organise into associations, trade unions or co-operatives can be important in providing a platform for IE workers to articulate and negotiate their needs, establish rights, and address conflicts in the urban context. Savings and credit associations and financial co-operatives can also be important sources of savings. In Cali, however, only 7% of current IE workers interviewed were currently involved with a trade union and more participation, training and development is needed to encourage collective voice.
- **Extension of business training and capital** could address some of the difficulties of lack of formal education faced by some low-income IE workers, particularly internal migrants, trash-pickers and women. However, training sessions should be affordable and timed so that people can combine training with income earning. Some training is provided by NGOs, but only 2% of the current IE workers interviewed had regularly engaged with NGOs, highlighting the need for increased training and capacity building opportunities. Access to business loans and capital for business start-up and improvement is vital to prevent IE workers relying on *gota-a-gota*.
- **Improved infrastructure and operating spaces:** There is greater need for secure and serviced operating spaces which would both protect vulnerable IE workers, and encourage business growth and improve urban governance. Security and reduction in the levels of violent robbery, gang conflict, extortion and harassment, particularly in low-income neighbourhoods are critical.

While these measures could provide protection and support for IE businesses, the presence of vulnerable groups and businesses call for focussed interventions beyond the broader ones aimed at the entire sector.

Different periods of conflict in Colombia up to 2013 had complex causes and manifestations and affected rural and urban communities differently. Of the 244 IE worker interviewed, 77% were directly affected by conflict at some point in the period. Loss of life, displacement, lootings, robberies and disruption to livelihoods were a feature of civil conflict, drug-related conflict and criminal gang violence and affected people in both rural and urban areas.

Women are particularly vulnerable in conflict-affected situations and may have experienced unique effects of gender-based violence but also new livelihood opportunities. In Colombia families are strongly patriarchal and this *machismo* is sometimes manifest as violence towards women. Though women in urban Colombia have been working independently for many years, the conflict forced women to become breadwinners of households as family members were killed during conflict. While this has led to empowerment and increased livelihood opportunities for some, women continue to face discrimination in the labour market and are vulnerable to sexual harassment in the public and private sphere.

Conflict has had numerous short-term, medium-term and long-term impacts on the urban IE in Cali:

- **The short-term effect** was a decline in formal employment which affected informal jobs in transport and construction among others. Increasing insecurity in low-income areas of the city also disrupted livelihoods as IE workers were caught in the cross-fire of cartel or gang conflict and vulnerable to extortion. Disruption to public services such as transport, electricity and water supplies, and decreased consumption, also affected informal work.
- **In the medium-term** the IE provided a vital labour-absorbing function for poor urban residents. Lack of security precipitated the rise of conflict economies, however, replacement services and community sharing also increased to provide goods and services to conflict-affected residents.
- **In the longer-term**, the IE increased dramatically as political stability, increased urban security and decreased harassment from local authorities enabled the speedy establishment and operation of new businesses and employment opportunities for city-dwellers and new migrants. Specific sectors have been particularly successful in this period and there has been an increase in transport and vending

opportunities. However, transport workers are often targets of violent robbery and *vacunas* and the continuing trade in drugs and contraband goods has development implications for Cali.

The IE has huge potential to contribute to ongoing development outcomes in Cali:

- **Economic Growth** has been cited as a major requirement for long term peace in conflict-affected countries. In Cali, the IE enabled low-income urban residents, migrants, the displaced, the young and unemployed people to sustain household livelihoods during conflict, and in the post-conflict environment businesses have been able to flourish due to the low start-up capital and skills required. The informal sector has also linked with the formal economy which allows for the accumulation of capital and business growth. However, there is an under-collection of tax and service payments and while many IE workers are paying both fees and high costs for infrastructure and *gota-a-gota*, official payments could increase the contribution of the IE to local economic development. The lack of government policy and protection for IE workers further limits this. That said, the scale of the IE and the fact that it provides around half of urban employment demands that it be a primary focus for economic and social planning.
- **Poverty reduction and conflict prevention** have also been linked in development literature and there is evidence that an effective IE can reduce the likelihood of further violence by providing employment and household income. In Cali, the IE has provided many jobs to conflict-affected and vulnerable people such as migrants, youth, ethnic minorities and women is beneficial for poverty reduction and conflict prevention. However, in Cali, continuing violence, high crime levels, corruption, competition and unemployment, particularly in low-income areas, restricts the ability of IE works to enter, grow and thrive within the sector and the ability to absorb these groups is vital for both poverty reduction and continued conflict prevention.

Going forward, an emphasis on the quality of economic growth, rather than the rate, will ensure sustainable poverty-reduction by generating sufficient employment and even distribution of resources for vulnerable workers in the IE. Furthermore, small-scale sector-specific changes supported by central and local government and other urban actors can often avoid further disenfranchisement and marginalisation of these groups.

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