

Using the home as a workplace

Neighbourhood consolidation and home-based
entrepreneurship in El Alto, Bolivia

Jeannine van Bree



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"Uno no puede vivir bien si los demás viven mal"

(Vivian Viaño, Ministerio de Planificación de Desarrollo)

Preface and acknowledgements

Latin America conquered my heart from the moment I arrived there for the first time five years ago. After graduating high school I did not know what study to start and decided to travel. Costa Rica sounded tropical enough to me and it was. The people, the music, the food, the dancing, the beaches, the overwhelming flora and fauna, if paradise exists, I found it there. But I also saw a different side, the one of poverty and deprivation, and that deeply impressed me. Somehow, Latin America did not let me go. After graduating the bachelor programme of Human Geography and Urban Planning at the University of Utrecht, I was able to travel again. Again Central America, this time Guatemala, Belize, Mexico and Honduras. I think I found at least five extra paradises, but older and wiser as I was, I was even more aware of the extreme poor conditions some people have to live in. And now in 2010, I had the opportunity to go again, to Bolivia this time, the country of superlatives: the poorest country of South America, with the highest capital city in the world, the highest navigable lake in the world, the world's most dangerous road, and the highest ski run in the world. This time it was not only for travelling around, but for doing an internship, a time which I enjoyed the most, but also challenged me personally as well as academically. However, every challenge I took as a lesson and the result you are about to read.

This thesis is not just a product of my own efforts: many people have contributed. The people of Red Habitat, my host organization, a non profit Non Governmental Organization in El Alto working on urban themes, with respect to capacity building, providing micro credit, training of community leaders, and supporting the local government in city planning. I would especially like to thank Lic. Vitalia Choque M., Lic. Alberto Yucra M., Arq. Dennis Barral Ch., Arq. David Quezada, y David Valley, who contributed to the facilitation and organization of the internship and many times dropped their own work to help me. This study would not have been possible without the work of many research assistants: Saulo Alanoca Arqulo, Yrene Blanco Quispe, Runimarfil Calcina Yujra, Marco Antonio Careaga Choque, Sonia Paula Chambi Flores, Braulio Choquehuanca Serezo, Julia Choquehuanca Serezo, Ruth Choquevillca Catari, Wilson Aurelio Chura Quispe, Omar Bailon Gonza Quiquijana, Alvaro Gómez Silvestre, Ruben Irinéo Huchani Cruz, Alfonso Huarecallo Gonzalez, Noemi Adela Limachi Ramos, Virginia Mamani Mamani, Ruben Dario Mamani Poma, Marleny Plata Tarqui, Sandra Nina Quispe, Miguel Quispe Mamani, Lucy Quispe Paco, Gladis Angelica Quispe Sanchez, Ovidio Quito Laura, Grover Rojas Tola, Lourdes Salcedo Ramírez. I would also like to thank Godofredo Sandoval of the Programa de Investigación Estratégica en Bolivia (PIEB) for his academic advice and Monica Alarcón for transcribing all my interviews and the many nice conversations about Bolivia and its people. Dr. Paul van Lindert, my supervisor here in the Netherlands, with his wealth of experience and academic knowledge, who gave me the freedom to find my own way, but always was available for advice and help whenever I needed it. Dr. Ronald Kranenburg, whose post graduate research has been of great help to understand the city of El Alto and its residents. Daniel, Gerdien, Marieke, Viola, Shan Kai, and Elen and all the people I met in Bolivia, who made my stay unforgettable. I especially thank the people of the Zona 16 de Julio, who so warmly received me in their houses or shops and were willing to share their amazing stories with me. And last, but definitely not least, I would like to thank my parents and my brother, for their financial and moral support, not only during writing the thesis, but during my whole academic career.

Thank you all! Gracias!

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Summary

Anyone who has lived or travelled in countries in the global 'South' surely recognizes the topic of this study. Home-based enterprises are a common phenomenon in cities in developing countries and play an important role in the lives of many households. Especially in cities that have a history of rural to urban migration and cities where it is difficult for people to find employment, many households start something of their own to make ends meet. Although these activities are often considered to be informal and marginal, they are of big economic and social importance to the households performing them.

This study investigates *the characteristics of home-based entrepreneurship in the Zona 16 de Julio in the Bolivian city of El Alto and the economic and social significance of these enterprises for the households performing them.*

Theoretical context of the study

Using the home not only for shelter, but also for income generation is a widespread phenomenon in many cities in developing countries (Sinai, 1998). A home-based enterprise (HBE) can be defined as an economic activity "which occurs in or very close to the home rather than in a commercial or industrial building or area." (Tipple, 2005:613) HBEs are found in most cities in developing countries where people start them as a solution to the unemployment problem (Kigochie, 2001). However, the frequency of HBEs is extremely context dependent. Estimates on the amount of households realizing a HBE vary between 25% and 80% (Verrest, 2007). The frequency of HBEs depends on the one hand on the socio-economic level of the residents of a neighbourhood and on the other hand on the degree of neighbourhood consolidation. HBEs are relatively more often found in less consolidated, high density, and low-income neighbourhoods (Gough, 2010). A wide variety of HBEs can be found in cities in developing countries. HBEs tend to be spread across a wide spectrum of industries. However some activities are more likely to be home based, often activities that serve the local demand of the neighbours and do not require many financial capital or skills (Gough, 2010; Gough & Kellet, 2001; Gough, Tipple & Napier, 2003; Sinai, 1998; Tipple, 2005).

HBEs are strongly connected to two aspects: neighbourhood consolidation and urban transformation on the one hand, and informality on the other hand. First, a relationship exists between neighbourhood consolidation and home-based entrepreneurship. As a result of rapid urbanization and population growth, many cities in developing countries can be characterized by self-help neighbourhoods with limited access to basic services and infrastructure. To overcome these negative living circumstances, many neighbourhoods are part of neighbourhood consolidation projects, in which the government provides the residents with tenure security and basic services and the residents themselves improve their houses. As a result of a higher degree of consolidation, a neighbourhood is also economically more attractive. Tenure security and access to basic services are requirements for entrepreneurship and investment. Neighbourhood consolidation is therefore often accompanied by a process of urban transformation, in which a neighbourhood faces important changes in functional land use. When people feel secure with respect to their living circumstances, they are more willing to invest in their neighbourhood and start enterprises, which also makes the neighbourhood economically attractive to people from outside the neighbourhood. More land is used for economic activity, which sometimes even pushes away the residential function of a neighbourhood. During the process of neighbourhood consolidation and transformation land prices increase as a result of scarcity of urban land, improved opening up of the neighbourhood, and the creation of local employment. The increasing land prices often make plots too expensive to exclusively use them for residential goals and force households to generate money with the house. This

enables entrepreneurship in such a neighbourhood. Since many residents made a lot of investments and improvements in their house, it is often not attractive to sell the house, but more attractive to keep living in the house and start a business or rent out a part of the house for others to live or work. This enables foreign entrepreneurs attracted by the location and the economic potential of the neighbourhood to come to the neighbourhood and start a business (Kranenburg, 2002). Neighbourhood consolidation and urban transformation are preconditions for entrepreneurship in a neighbourhood, stimulated by increasing land prices.

Second, HBEs are often informally organized. The concept of informality comes from anthropological literature to refer to "clusters of illegal or quasi-illegal activities, usually unreported, by which people in some immigrant or ethnic communities earn income outside regular businesses and jobs." (Light, 2004:705) The concept became mainstream in development thinking from the 1970s onwards and is used to describe insecure forms of economic activity. "Such activities may include self-employment or own-account work, employment in fragile micro-businesses or family-run activity, as well as employment where the employer fails to provide appropriate access to social protection of formal registration or any contractual relationship." (Henley, Arabsheibani & Carneiro, 2008:992) The choice for being informally employed can be found to a great extent in the differences in costs between being formal and being informal. Entering and staying in the formal sector often requires more efforts and capital than entering and staying in the informal sector (Ulyssea, 2010). Activities in the informal sector have several characteristics: (1) few activities spread across a wide spectrum of industries, (2) products are made and sold at the same place, (3) few workers, mainly family members, that make long working hours, (4) unregistered, (5) operators have low incomes, (6) low investments and limited access to formal credit, and (7) domestic and business assets are not separated (Tipple, 2005). Many HBEs operate in this informal sector and are informally organized. The most self-evident characteristic of HBEs is the use of the house as business location, whereby sometimes no separate room is created and the activity is performed in the living room or kitchen. The majority of HBEs are small, in which the owner is also worker and manager at the same time. When there are other people working in the HBE, they are often family members who are not paid. There is a clear predominance of women running HBEs, since the home is the domain of women and realizing a HBE enables women to combine their productive activities with reproductive responsibilities. A relationship between poverty and home-based entrepreneurship is often assumed in literature, but this is not so self-evident. Although investments are quite low, starting and operating a HBE needs some investments, mainly provided by own savings, but sometimes also informal sources of credit (Verrest, 2007).

As a result of operating in the informal circuit, many HBEs are quite vulnerable. Although the majority of the HBE operators succeed quite well in maintaining the enterprise, many operators face difficulties, which causes some businesses even to fail. Problems are related to personal circumstances, a difficult and competitive market, a lack of capacity and space, a lack of financial capital, precarious conditions, crime, and changing government policies (Cano Mejia, 1995; Gough, Tipple & Napier, 2003).

Although many HBEs might be small, marginal and vulnerable enterprises, they can be of great economic and social importance for the households performing them. The HBE provides a welcome extra income and at the same time is a social activity for the HBE operator as well as other people in the neighbourhood (Verrest, 2007).

Neighbourhood consolidation and increased entrepreneurship contribute to a great extent to Local Economic Development (LED). There are many ways to stimulate LED. An important aspect is employment creation and business development, which include (1) measures to improve the built environment for micro-enterprise activities, (2) providing access to formal markets, (3) facilitating periodic markets, (3) extending business linkages between formal enterprises and growing micro-enterprises, (4) training and capacity building, and (5) the establishment of local technology centres that allow entrepreneurs to enhance their technologies and the quality of their products (Rogerson, 1999).

Research methods

To realize this study the field research consisted of three phases: neighbourhood mapping, a survey, and in-depth interviews. In order to gain general insight in economic activity in the research area, the whole research area is mapped out with respect to land use and economic activity. The second and most important research method has been a survey amongst households living in selected parts of the research area, 738 questionnaires have been carried out. The third research method has been in-depth interviews with households and organizations in order to obtain more qualitative and in-depth information. Interviews have been held with seventeen households and eight organizations. Besides these three major components of the field research, literature search has been done, both in the Netherlands as well as in Bolivia.

This study forms part of a longitudinal research on neighbourhood consolidation carried out by the Utrecht University for already three decades. The study provides the research with new data and at the same time makes use of existing data collected by previous researchers.

Research setting: Bolivia and the city of El Alto

The research is carried out in Bolivia, one of the poorest countries in South America. Bolivia is known as one of the three countries in Latin America (next to Peru and Guatemala) of which the largest segment of the population is composed of pure indigenous people (65%), of which the Aymara is the largest group (CIA, 2010; Krijnen, 2006). Bolivia is known as a country with a big amount of people living in poverty, due to unemployment, sub employment, and a segregated labour market, three socio-economic problems that have their origin in neoliberal policies. This results in 65% of the population employed in micro enterprises in the informal sector, with low incomes and a high degree of vulnerability. Evo Morales, the first indigenous president who won the elections in 2006, tries to change this situation with his Plan Nacional de Desarrollo (National Plan for Development) in which the concept of 'Vivir bien' has a central role.

The city in which this study is carried out is the city of El Alto, also known as the Aymara capital of the world. El Alto is located next to the city of La Paz, the political capital of the country, on a bare windy plateau on 4,000 meters above sea level. Until the 1950s El Alto was mainly a rural area, but with land reforms in the 1950s many people migrated from the rural areas to the city of La Paz. Due to its unique location in a valley, La Paz filled up quickly and people started to live on the plateau as well, which later became the independent city of El Alto. In sixty years El Alto grew from mainly rural area to a city of almost one million inhabitants, almost only by means of self-help housing. In the eighties the first neighbourhood consolidation projects were started in order to improve the living conditions of the city dwellers. The city is still growing, there are still neighbourhoods built on the edge of the city, and thus the process of self-help housing and neighbourhood consolidation still takes place. This results in El Alto as a very divided city with respect to the background of the residents, the socio-economic level of the residents, and the living circumstances in each neighbourhood. El Alto is known as the productive and industrial city, in which many people are employed in micro and small enterprises.

The research area: The Zona 16 de Julio

The research area of this study is the Zona 16 de Julio. The Zona consists of three neighbourhoods, Villa 16 de Julio, Villa Ballivian, and Villa Los Andes, and is named after the most important of the three. El Alto is known as a migrant city. However, nowadays about sixty percent of the population of the Zona is born within the city of El Alto. Mainly the older generations are still the former migrants, while the younger generations are more often born in the city itself.

The Zona consists of the oldest and most consolidated neighbourhoods within the city of El Alto. The processes of neighbourhood consolidation and urban transformation in the Zona are clearly reflected in several characteristics: residential, socio-economic, and functional characteristics. To start with the first, as a result of rapid growth and an increasing pressure on space, the Zona 16 de Julio has been through a process of densification, both horizontally, as a result of the division of plots and the extensive use of plots, as well as vertically, as a result of higher buildings. This resulted in an increased amount of space per household. Households have managed to occupy more floors, rooms and bedrooms and often got access to a shower, a toilet, and a kitchen. Living circumstances also improved as a result of improved building materials and an increased level of service provision. Many houses are now built with bricks that provide the owner with more status, instead of adobe, a relatively cheap building material that is climate proof for the sometimes extreme conditions in El Alto. Almost all households have access to electricity, water and sewerage, and about sixty percent of the households already to natural gas.

The process of neighbourhood consolidation in the Zona 16 de Julio is also reflected in socio-economic characteristics. Through time the socio-economic level of the residents improved considerably. With respect to education, a lot improved in the Zona. The education attainment level of the residents increased, the educational participation increased, and gender differences in educational participation decreased. However, there are still persons without education or with a low level of education, and children that leave school premature. Also with respect to the labour market, a lot improved in the Zona. More people are economically active, more people stay longer economically active, and differences between men and women on the labour market decreased with respect to participation and income, since the labour market become easier accessible for women. However, many more people are nowadays self-employed, which often means they are informally employed. The importance of informal self employment also results from job stability and the type of income. Only two third of the population has a permanent job, which means that one third has a temporary or occasional job. And just over one third of the population has a fixed income. The rest has an eventual or daily income or gets paid for the amount of work delivered. In spite of the increasing participation on the labour market, labour relations, as well as job stability and the type of income show that many people only find a job by being self employed, which is often informal and insecure.

Neighbourhood consolidation and an improved socio-economic level of the residents is accompanied by a process of urban transformation in which the relative location of the Zona 16 de Julio changed (the Zona now is the city centre, due to urbanization and urban sprawl), and the functional use of land changed. An important aspect in this is the presence of the Feria 16 de Julio, the weekly market that attracts every Thursday and Sunday many visitors to the Zona. Most land in the Zona has a residential function, but land use for economic activity is increasing. About 28% of land in the Zona is used for economic activity, which mainly takes place in the market area and along the main roads. There are four important aspects to mention considering economic activity in the Zona. First, the amount of economic activity per plot increased which resulted in an increasing amount of plots that are not used exclusively for one sector, but that are used for different economic activities within different sectors. Second, through time economic activity in the sector of commerce and services gained importance, while economic activity in the sector of industry and handicrafts decreased. Third, there are about 130 different occurring activities in the Zona, but just a few are the most popular, such as *tiendas de barrio*, which are small grocery stores, and internet and phone calls centres. And fourth, remarkable differences exist in amount and type of economic activity between the three different neighbourhoods in the Zona. The more centrally located neighbourhood, the Villa 16 de Julio, can be characterized by more economic activity divided amongst less different economic sectors, due to economic clustering, and by an arsenal of economic activity that is integrated with the type of products sold on the market. The more marginal neighbourhoods can be characterized by less economic activity, but more non-basic activities, serving the local demand of the residents, within relative more different sectors.

Home-based entrepreneurship in the Zona 16 de Julio

Home-based enterprises are a common phenomenon in the Zona 16 de Julio. One out of five households uses the house productively. Although most economic activity takes place in the central and market area and along the main roads, most HBEs can be found outside these areas, because the market and the main roads mainly attract 'foreign' entrepreneurs that are attracted by the economic potential of the neighbourhood.

HBEs in the Zona 16 de Julio are concentrated in a few activities, but spread across several sectors. Most HBEs are performed in the sectors of commerce, and industry/handicrafts, while the most occurring activities are tailors and small grocery stores.

The majority of the HBEs in the Zona 16 de Julio are informally organized. Many of them are micro enterprises, with just a few workers. Operating a HBE is mainly a family affair and a full time job. The enterprise is run by the head of the household or the wife/husband, who is helped by the spouse or the children. Many households make long working hours when they wake up at five or six in the morning to prepare everything for their work and close the shop at ten or eleven at night. At least sixty percent of the HBEs in the Zona are not officially registered. Reasons for this can be found in confusion about how to register, and the conviction that registration is not necessary, determined by a strong cultural aspect that makes HBE operators not yet willing to get out of their comfort zone of their usual way of doing business, in order to create opportunities to expand their business. Most HBEs do not require many technical skills, and if they do, HBE operators mainly acquired them in an informal way by working as employee and later on starting their own business or skills transfer from generation to generation. Many HBEs do not generate less income than other jobs. Also on household level households with a HBE are not poorer than other households. This would not be logical either, since starting and operating a HBE require some financial input. The majority of the HBE owners made a first investment, while half of them also made further investments. These investments are mainly financed by own savings, while some made use of some kind of loan, more often for their first investment than for further investments. A HBE in which higher investments have been done, eventually also generates more income. The majority of households with a HBE uses a separate place of the house to operate their business. However, in some cases this place is part of a room only fenced off by, for example, a curtain.

The majority of the households with a HBE succeeded in maintaining their business over time. Only a few failed or changed the nature of their business.

The economic and social significance of home-based enterprises in the Zona 16 de Julio

Operating a home-based enterprise is both economically as well as socially of big importance to the households, of which the economic significance is the most convincing, since the majority of the households start their HBE out of economic needs, as with every job.

Most households use the income generated by the HBE mainly for the basic needs of maintaining a family. Some households have left some money that they are able to spend on other things such as saving money. For some households the HBE income is sufficient, while for others not. Many households therefore have several income sources of which the HBE is one. However, the HBE income often is a very insecure income and at the same time rarely generates enough money for creating a buffer for times when incomes are worse. Although the HBE income is not always that much compared to other incomes, it is an extremely important income source for the households involved. Without this income they sometimes would not be able to pay for their most basic needs, while in other cases the income is a welcome extra penny in the pocket. However, many households operating a HBE still think of their current financial situation as far from ideal and it sometimes turns out to be difficult to increase the HBE income in order to improve this situation, due to competition or a lack of capital or space.

Although the majority of the households start or operate a HBE out of economic needs and the most important benefits of running a HBE are the (extra) incomes, a HBE is not only an economic activity, but also a social activity. The neighbourhood of which HBE operators and their family are part of is in several ways important for running the HBE. In the first place, because HBE operators are quite dependent on their neighbourhood in terms of their sales market. Especially in the more marginal areas (the non-market area) of the Zona 16 de Julio, the most important customers of the HBEs are the neighbours, which makes these HBEs often non-basic enterprises rather than basic enterprises. However, HBE operators also experience negative ways in which the neighbourhood affects the HBE, such as competition and jealousy. Economic activity is often clustered in the Zona 16 de Julio, which generates a lot of competition. This results in jealousy amongst entrepreneurs, which affects HBE operators not only economically, but also socially. However, in spite of the competition and jealousy, HBE operators experience a better social position in the neighbourhood, because they are more known, have more contacts, and receive more respect. They experience this as pleasant for their working spirit and their life in general.

The economic significance of operating a HBE is of course a leading factor. However, the positive outcome of this is the social aspect of a better social position in the neighbourhood, which improves the quality of life of many households and makes the HBE not only an economic activity, but also an important social activity.

Discussion and conclusion

Home-based entrepreneurship is very common in the Zona 16 de Julio, the economic heart of the city of El Alto. HBEs are often informally organized. In spite of the often joint assumption in literature that HBE households are poor and have no other possibilities, they are definitely not among the poorest of society. Although HBEs sometimes might be small and marginal, with little opportunities to grow, households manage to secure a living and keep their head above water. Therefore they are of extreme economic and social significance for the households performing them. A HBE provides the household with an important (extra) income source and is a social activity at the same time, which improves the quality of life of the household. But against the common assumption in literature that the informal sector is often a stepping stone towards formality, the findings of this study do not show a big probability that many people will reach this formal sector. Many HBE operators only succeed in maintaining their business over time. That makes operating a HBE rather a survival strategy than an accumulation strategy. However, the informal sector is a highly desirable sector, since it provides employment to many people that are not able to find another job or that mangle in poverty.

It is not realistic to expect that these households ever develop a big and exporting business, but that is not at all their intention. By realizing a HBE these households are able to generate a welcome (extra) penny in the pocket and keep their head above the water. This makes them definitely not amongst the poorest of society.

Resumen

Alguien que ha vivido en o viajado por una ciudad en el 'Sur mundial económico' seguramente reconoce el tema de este estudio. Empresas domésticas son un fenómeno común en ciudades en países en desarrollo y desempeñan un papel importante en la vida de muchos hogares. Especialmente en ciudades que tienen una historia de migración rural urbana y ciudades donde es difícil encontrar un trabajo, muchos hogares empiezan una propia empresa a fin de mes. Aunque muchas empresas domésticas se consideren informal y marginal, ellas son de gran importancia económica y social para los hogares realizandolas.

Este estudio investiga *las características de las empresas domésticas en la Zona 16 de Julio en la ciudad de El Alto y la importancia económica y social para los hogares realizandolas.*

Contexto teórico del estudio

Usando la casa no solo para vivir, sino también para generar ingresos, es un fenómeno común en muchas ciudades en países en desarrollo (Sinai, 1998). Una empresa doméstica se puede definir como una actividad económica que ocurre dentro o muy cerca de una vivienda mas bien que un área commercial o industrial (Tipple, 2005). Empresas domésticas se encuentran en la mayoría de las ciudades en países en desarrollo donde la gente las empieza como una respuesta al problema de desempleo. Sin embargo, la frecuencia de empresas domésticas en gran parte depende del contexto geográfico. Estimaciones sobre la cantidad de hogares realizando una empresa doméstica varían entre 25% y 80% (Verrest, 2007). La frecuencia de empresas domésticas por un lado depende del nivel socio económico de la gente del barrio, y por otro lado depende del nivel de la consolidación barrial. Empresas domésticas más a menudo se encuentran en barrios menos consolidado, de alta densidad y de bajos recursos (Gough, 2010). Se encuentran una amplia variedad de empresas domésticas en ciudades en países en desarrollo. Empresas domésticas atienden ser difundidas en una gama de industrias. Sin embargo, algunas actividades son más probable que se realizará en el espacio doméstico, a menudo actividades que sirven la demanda local y no requieren mucho capital financiero o habilidades (Gough, 2010; Gough & Kellet, 2001; Gough, Tipple & Napier, 2003; Sinai, 1998; Tipple, 2005).

Empresas domésticas están fuertemente relacionadas con dos aspectos: por un lado consolidación barrial y transformación urbana, y por otro lado informalidad. En primer lugar, una relación existe entre consolidación barrial y el espíritu empresarial doméstico. Como resultado de la rápida urbanización y el crecimiento de la población, muchas ciudades en países en desarrollo se pueden caracterizar como barrios de auto-ayuda con acceso limitado a servicios básicos y infraestructura. Para superar estas condiciones negativas de vida, muchos barrios son parte de proyectos de consolidación barrial, en los que el gobierno proporciona a los residentes con seguridad de tenencia y servicios básicos y los residentes mismos mejoran sus casas. Como resultado de un nivel más alto de consolidación barrial, un barrio también es economicamente más atractivo. Seguridad de tenencia y acceso a servicios básicos son requisitos para un espíritu empresarial y para inversiones. Por eso muchas veces consolidación barrial se lleva con un proceso de transformación urbana, en el que un barrio pasa por cambios en el uso funcional del suelo. Cuando la gente se siente segura con respecto a sus condiciones de vida, está más dispuesta a invertir en su barrio y empezar una propia empresa, qua a veces aleja la función residencial del barrio. Durante el proceso de consolidación barrial y transformación urbana los precios del suelo aumentan como consecuencia de la escasez del suelo urbano, la mejor apertura de la zona, y la creación de empleo local. El precio del suelo a menudo hace los lotes demasiado caros para utilizarlos exclusivamente para objetivos residenciales y fuerza los hogares para generar dinero con la casa. Esto permite un espíritu empresarial en el barrio. Puesto que muchos residentes hicieron una gran cantidad de inversiones y mejoramientos en su casa, a

menudo no es atractivo para vender la casa, pero es más atractivo seguir viviendo en la casa y empezar un negocio o alquilar una parte de la casa para que otros puedan vivir o trabajar. Esto permite a los empresarios extranjeros atraídos por la ubicación y el potencial económico del barrio para llegar al barrio e iniciar un negocio (Kranenburg, 2002). Consolidación barrial y transformación urbana son requisitos para la iniciativa empresarial en un barrio, estimulado por un crecimiento de los precios del suelo.

En segundo lugar, empresas domésticas a menudo se han organizado de manera informal. El concepto de informalidad proviene de la literatura antropológica para referirse a grupos de actividades ilegales o cuasi ilegales, por lo general no declarada, por las cuales la gente en algunas comunidades inmigrantes o étnicas genera ingresos fuera negocios y trabajos regulares (Light, 2004). El concepto se convirtió en el corriente principal del pensamiento sobre el desarrollo desde la década de 1970 y se utiliza para describir formas precarias de la actividad económica. Estas actividades pueden incluir trabajo por cuenta propia, trabajo en micro empresas frágiles o actividad familiar, así como empleo cuando el empleador no proporciona el acceso a protección social de registración formal o cualquier relación contractual (Henley, Arabsheibani & Carneiro, 2008). La elección por ser empleado de manera informal se puede encontrar en gran medida en las diferencias en los costos entre estar empleado de manera formal y de manera informal. Entrar y quedarse en el sector formal a menudo requiere más esfuerzos y capital que entrar y quedarse en el sector informal (Ulyssea, 2010). Actividades en el sector informal tienen varias características: (1) pocas actividades repartidas en un amplio espectro de industrias, (2) productos son fabricados y vendidos en el mismo lugar, (3) pocos trabajadores, principalmente miembros de la familia, que hacen horas largas, (4) no registradas, (5) empresarios de bajos ingresos, (6) pocas inversiones y acceso limitado a crédito formal, y (7) activos domésticos y comerciales no están separados (Tipple, 2005). Muchas empresas domésticas operan en este sector informal y están organizados de manera informal. La característica más evidente de empresas domésticas es el uso de la casa como ubicación de la empresa, por la que a veces no espacio separado está creado y la actividad está realizando en el salón o la cocina. La mayoría de las empresas domésticas son pequeñas, en las que el empresario es trabajador y gerente al mismo tiempo. Cuando trabajan otras personas en la empresa doméstica, a menudo son miembros de la familia que no se pagan. Hay un claro predominio de mujeres que dirigen empresas, porque el hogar es el dominio de la mujer y realizando una empresa doméstica permite a las mujeres para combinar sus actividades productivas con sus responsabilidades reproductivas. A menudo una relación entre pobreza y el espíritu empresarial doméstica se asume en la literatura, pero esto no es tan evidente. Aunque las inversiones son muy bajas, empezar y operar una empresa doméstica requiere algunas inversiones, principalmente proporcionadas por cuenta propia, pero a veces también por fuentes informales de crédito (Verrest, 2007).

Como resultado de operar en el circuito informal, muchas empresas domésticas son muy vulnerables. Aunque la mayoría de los empresarios domésticos tienen éxito en el mantenimiento de su negocio, muchos empresarios se enfrentan a dificultades, lo que hace que algunas empresas fallan. Problemas están relacionados con circunstancias personales, un mercado difícil y competitivo, una falta de capacidad y espacio, una falta de capital financiero, condiciones precarias, y el cambio de políticas gubernamentales (Cano Mejia, 1995; Gough, Tipple & Napier, 2003).

Aunque muchas empresas domésticas podrían ser empresas pequeñas, marginales y vulnerables, pueden ser de gran importancia económica y social para los hogares que las realizan. La empresa doméstica proporciona un ingreso (extra) de bienvenida y al mismo tiempo es una actividad social para los empresarios así como otras personas en el barrio (Verrest, 2007).

Consolidación barrial y aumento de la iniciativa empresarial contribuyen en gran medida al Desarrollo Económico Local (DEL). Hay muchas maneras de estimular DEL. Un aspecto importante es la creación de empleo y desarrollo empresarial, que incluyen: (1) medidas para mejorar el entorno construido de las actividades micro empresariales, (2) facilitar el acceso a los mercados formales, (3) facilitar el acceso a los mercados periódicos, (4) formación y creación de capacidad, y (5) el establecimiento de centros tecnológicos locales

que permiten a los empresarios a mejorar sus tecnologías y la calidad de sus productos (Rogerson, 1999).

Métodos de investigación

Para realizar este estudio la investigación consistió en tres fases: trazar el mapa del barrio, una encuesta, y entrevistas de profundidad. Para obtener información general de la actividad económica en el área de la investigación, de todo el área de investigación está trazado el mapa con respecto al uso del suelo y la actividad económica. El método de investigación segundo y más importante ha sido una encuesta entre hogares que viven en partes seleccionados del área de investigación, 738 cuestionarios se han llevado a cabo. El método de investigación tercero ha sido entrevistas en profundidad con familias y organizaciones para obtener información más cualitativa y en profundidad. Las entrevistas se han realizado con diecisiete familias y ocho organizaciones. Además de estos tres componentes principales de la investigación, búsqueda bibliográfica se ha realizado, tanto en los Países Bajos, así como en Bolivia.

Este estudio forma parte de una investigación longitudinal sobre consolidación barrial llevado a cabo por la Universidad de Utrecht desde hace ya treinta años. El estudio proporciona la investigación con nuevos datos y al mismo tiempo, hace uso de los datos existentes recogidos por los investigadores anteriores.

El contexto de la investigación: Bolivia y la ciudad de El Alto

La investigación se llevó a cabo en Bolivia, uno de los países los más pobres en el América del Sur. Bolivia tiene fama de uno de los tres países en Latino América (al lado de Peru y Guatemala) de los cuales el mayor segmento de la población está compuesto por puras indígenas (65%), de las cuales la población Aymara es la más grande (CIA, 2010; Krijnen, 2006). Bolivia tiene fama de un país con una gran cantidad de personas que viven en pobreza, debido al desempleo, subempleo, y un mercado laboral segregado, tres problemas socio-económicas que tienen su origen en las políticas neoliberales. Esto se traduce en el 65% de la población ocupada en las microempresas en el sector informal, con ingresos bajos y un alto grado de vulnerabilidad. Evo Morales, el primer presidente indígena que ganó las elecciones en 2006, trata de cambiar esta situación por medio de su Plan Nacional de Desarrollo, en el que el concepto de 'Vivir bien' tiene un papel central.

La ciudad en la que se realizó el estudio es la ciudad de El Alto, también conocido por la capital Aymara del mundo. El Alto se encuentra junto a la ciudad de La Paz, la capital política del país, en una meseta ventosa en 4.000 metros sobre el nivel del mar. Hasta la década de 1950 El Alto fue principalmente una zona rural, pero con la reforma agraria en la década de 1950 muchas personas emigraron del campo a la ciudad de La Paz. Debido a su ubicación única en un valle, La Paz se llenó rápidamente y la gente comenzó a vivir en la meseta, así, que más tarde se convirtió en la ciudad independiente de El Alto. En los años sesenta El Alto creció de zona rural a una ciudad de casi un millón de habitantes, casi sólo por medio de autoconstrucción de viviendas. En los años ochenta, primeros proyectos de consolidación barrial se iniciaron para mejorar las condiciones de vida de los habitantes de la ciudad. La ciudad sigue creciendo, todavía hay barrios construidos en las afueras de la ciudad, y por lo tanto el proceso de autoconstrucción de viviendas y consolidación barrial todavía se lleva a cabo. Esto da lugar a El Alto como una ciudad muy dividida con respecto a los antecedentes de los residentes, el nivel socio-económico de los residentes, y las condiciones de vida en cada barrio. El Alto es conocida como ciudad productiva e industrial, en la que muchas personas están empleadas en micro y pequeñas empresas.

El área de investigación: La Zona 16 de Julio

El área de investigación de este estudio es La Zona 16 de Julio. La Zona está formado por tres barrios, Villa 16 de Julio, Villa Ballivian, y Villa Los Andes, y lleva el nombre de la más importante de los tres. El Alto es conocida como una ciudad de migrantes. Sin embargo, hoy en día cerca de sesenta por ciento de la población de la Zona nace dentro de la ciudad de El Alto. Sobre todo las generaciones más viejas siguen siendo los antiguos emigrantes, mientras que las generaciones más jóvenes son más a menudo nacido en la ciudad.

La Zona se compone de los barrios más antiguos y más consolidados dentro de la ciudad de El Alto. Los procesos de consolidación barrial y transformación urbana de la Zona se reflejan en varias características: características residenciales, socio-económicas y funcionales. Para iniciar con la primera, como resultado del rápido crecimiento y una creciente presión sobre el espacio, la Zona 16 de Julio ha pasado por un proceso de densificación, tanto horizontalmente, como resultado de la división de parcelas y el uso más extensivo de las parcelas, así como verticalmente, como resultado de edificios más altos. Esto dio lugar a una mayor cantidad de espacio por hogar. Los hogares han conseguido ocupar más pisos, habitaciones y dormitorios y a menudo tienen acceso a una ducha, un baño y una cocina. Circunstancias de vida también mejoraron como resultado de mejor materiales de construcción y un aumento del nivel de prestación de servicios. Hoy día muchas casas están construidas de ladrillo, un material de construcción que proporciona al propietario con más prestigio, en lugar de adobe, un material de construcción relativamente barato que es estable de las a veces condiciones extremas en El Alto. Casi todos los hogares tienen acceso a electricidad, agua y alcantarillado, y cerca de sesenta por ciento de los hogares ya al gas natural.

El proceso de consolidación barrial en la Zona 16 de Julio también se refleja en las características socio-económicas. A través del tiempo el nivel socio-económico de los residentes mejoró considerablemente. Con respecto a la educación, mucho mejoró en la Zona. El nivel del logro educativo de los residentes aumentó, participación en educación aumentó, y las diferencias de género en participación en educación disminuyeron. Sin embargo, todavía hay personas sin educación o con un nivel bajo de la educación, y niños que abandonan la escuela. También con respecto a la participación en el mercado de trabajo, mucho mejoró en la Zona. Más personas están participando, más personas continúan trabajar hasta que sean mayores, y diferencias entre hombres y mujeres en el mercado de trabajo disminuyeron con respecto a participación y ingresos, ya que el mercado de trabajo es más fácil accesible para mujeres. Sin embargo, más personas hoy en día trabajan por cuenta propia, que a menudo significa que tienen un trabajo informal. La importancia del empleo informal también resulta del estabilidad del trabajo y el tipo de ingreso. Sólo dos tercios de la población de la Zona tiene un trabajo permanente, que significa que un tercio de la población tiene un trabajo temporal u ocasional. Sólo un tercio de la población de la Zona tiene un ingreso fijo. El resto tiene un ingreso eventual o diario o se le paga por la cantidad del trabajo realizado. A pesar del aumento de la participación en el mercado de trabajo, relaciones laborales, así como estabilidad del empleo y el tipo del ingreso muestran que muchas personas sólo encuentran un trabajo por cuenta propia, que a menudo es informal y inseguro.

Consolidación barrial y un mejor nivel socio económico de los residentes de la Zona 16 de Julio se acompaña de un proceso de transformación barrial en la que la ubicación relativa de la Zona ha cambiado (hoy día la Zona es el centro de la ciudad debido a la urbanización y la expansión urbana) y el uso funcional del suelo ha cambiado. Un aspecto importante en esto es la presencia de la Feria 16 de Julio, el mercado semanal, que atrae a muchos visitantes todos los jueves y domingos. La mayoría del suelo en La Zona tiene una función residencial, pero el uso del suelo para actividad económica está creciendo. Cerca de 28% del suelo en la Zona se utiliza para la actividad económica, que tiene lugar principalmente en la zona del mercado y al lado de las carreteras principales. Hay cuatro aspectos importantes de mencionar con respecto a la actividad económica en la Zona. En primer lugar, la cantidad de actividad económica por parcela aumentó que dio lugar a una cantidad creciendo de parcelas que no se utilizan exclusivamente para un solo sector de actividades, sino que se utilizan para diferentes actividades económicas en diferentes sectores. En segundo lugar, a

través del tiempo la actividad económica en el sector del comercio y servicios han adquirido importancia, mientras que la actividad económica en el sector de la industria y la artesanía ha disminuido. En tercer lugar, hay cerca de 130 actividades diferentes que ocurren en la Zona, pero sólo algunos son los más populares, tales como tiendas de barrio y los centros de internet y llamadas. Y en cuarto lugar, existen diferencias notables en la cantidad y el tipo de actividad económica entre los tres barrios de la Zona. El barrio más céntrico, la Villa 16 de Julio, se puede caracterizar por una mayor actividad económica menos dividido entre diferentes sectores económicos, debido a la conglomeración económica y por un arsenal de actividad económica que se integra con el tipo de productos que se venden en el mercado. Los barrios más marginales se caracterizan por una menor actividad económica, pero por más actividades no básicas, sirviendo a la demanda local de los residentes, dentro de relativamente más sectores diferentes.

Empresas domésticas en la Zona 16 de Julio

Empresas domésticas son un fenómeno común en la Zona 16 de Julio. Uno de cada cinco hogares usa la casa en una manera productiva. Aunque la mayoría de la actividad económica se lleva a cabo en la zona central del mercado y a lo largo de las carreteras principales, la mayoría de las empresas domésticas se encuentran fuera de estas zonas, porque el mercado y las carreteras principales principalmente atraen a los empresarios 'extranjeros' que se sienten atraídos por el potencial económico de la Zona.

Empresas domésticas en la Zona 16 de Julio se concentran en unas pocas actividades, sino que se extienden a varios sectores. La mayoría de las empresas domésticas se realizan en los sectores del comercio y de la industria/artesanía, mientras que la mayoría de las actividades que ocurren son sastres y tiendas de barrios.

La mayoría de las empresas domésticas en la Zona 16 de Julio se organizan de manera informal. La mayoría son micro empresas, con sólo unos pocos trabajadores. Realizar una empresa doméstica es principalmente un asunto de familia y un trabajo a tiempo completo. La empresa es dirigida por el jefe del hogar o su esposa/esposo, quien es ayudado por el esposo/la esposa o los hijos. Muchas familias hacen largas horas de trabajo cuando se despiertan a las cinco o seis de la mañana para preparar todo lo necesario para su trabajo y cerrar la empresa a las diez o a las once de la noche. Por lo menos el sesenta por ciento de las empresas domésticas en la Zona 16 de Julio no son registrados oficialmente. Las razones de esto se puede encontrarse en la confusión acerca de la manera de registrarse y en la convicción de que el registro no es necesario, determinado por un aspecto cultural muy fuerte que hace que los empresarios aún no dispuestos a salir de su zona de comodidad de su forma habitual de hacer negocios con el fin de crear oportunidades para expandir su negocio. La mayoría de empresas domésticas no requieren muchas habilidades técnicas, y si las requieren, los empresarios principalmente las obtuvieron de manera informal, por trabajar como empleado y después comenzar su propio negocio o por la transferencia de conocimientos de generación en generación. Muchas empresas domésticas no generan menos ingresos que otros trabajos. También con respecto al nivel familiar familias con una empresa doméstica no son más pobres que otros hogares. Esto no sería lógico tampoco, porque empezar y realizar una empresa doméstica requiere alguna inversión financiera. La mayoría de los empresarios hizo una primera inversión, mientras que la mitad de ellos también hizo nuevas inversiones. Estas inversiones son financiadas principalmente por ahorros propios, mientras que algunos usaron algún tipo de préstamo, con más frecuencia para su primera inversión que para nuevas inversiones. Una empresa doméstica en la que mayores inversiones se han hecho, eventualmente también genera más ingresos. La mayoría de los hogares con una empresa doméstica utiliza un lugar separado de la casa para operar su negocio. Sin embargo, en algunos casos, este lugar es parte de una sala solamente tapado por, por ejemplo, una cortina.

La mayoría de los hogares con una empresa doméstica ha logrado mantener sus negocios a través del tiempo. Sólo unos pocos han fallado o cambiado la naturaleza de su negocio.

La importancia económica y social de las empresas domésticas en la Zona 16 de Julio

Realizar una empresa doméstica es de gran importancia tanto económica como social, de los cuales la importancia económica es la más convincente, ya que la mayoría de los hogares comienzan su empresa doméstica por necesidades económicas, como cada trabajo.

La mayoría de los hogares utiliza los ingresos generados por la empresa doméstica principalmente para las necesidades básicas de mantener una familia. Algunas familias han dejado un poco de dinero que pueden gastar en otras cosas como ahorrar. Para algunos hogares los ingresos de la empresa doméstica son suficientes, mientras que para otros no. Muchas familias, por eso, tienen varias fuentes de ingresos de los cuales el ingreso de la empresa doméstica es uno. Sin embargo, el ingreso de la empresa doméstica a menudo es un ingreso muy inseguro y al mismo tiempo raras veces genera suficiente dinero para crear una reserva para los tiempos cuando los ingresos son peores. Aunque el ingreso de la empresa doméstica no siempre es mucho en comparación con otros ingresos, es una fuente de ingresos muy importante para las familias involucradas. Sin este ingreso, a veces la familia no sería capaz de pagar por sus necesidades más básicas, mientras que en otros casos el ingreso es un centavo extra de bienvenida en el bolsillo. Sin embargo, muchos hogares realizando una empresa doméstica todavía creen que su situación financiera actual no es ideal y resulta que a veces es difícil aumentar los ingresos de la empresa doméstica para mejorar esta situación, debido a la competencia o la falta de capital o espacio.

Aunque la mayoría de los hogares empieza o realiza una empresa doméstica por necesidades económicas y los beneficios más importantes de realizar una empresa doméstica son los ingresos (extras), una empresa doméstica no sólo es una actividad económica, sino también una actividad social. El barrio de los cuales los empresarios y sus familias son parte, de varias maneras es importante para realizar la empresa doméstica. En el primer lugar, porque empresarios son muy dependientes de su barrio en términos de su mercado. Especialmente en las zonas más marginales (el área fuera del mercado) de la Zona 16 de Julio, los clientes más importantes de las empresas domésticas son los vecinos, que hace que estas empresas domésticas a menudo son empresas no básicas en lugar de empresas básicas. Sin embargo, los empresarios de las empresas domésticas también experimentan formas negativas en las que el barrio afecta a la empresa, tales como la competencia y la envidia. Actividad económica en la Zona 16 de Julio a menudo es agrupados, lo que genera una gran competencia. Esto da lugar a envidia entre los empresarios, que afecta a los empresarios de las empresas domésticas no sólo económicamente, sino también socialmente. Sin embargo, a pesar de la competencia y la envidia los empresarios a menudo experimentan una mejor posición social en el barrio, porque son más conocidos, tienen más contactos, y reciben más respeto. Eso ellos experimentan como agradable para su espíritu de trabajo y su vida en general.

La importancia económica de realizar una empresa doméstica, por supuesto, es un factor principal. Sin embargo, el resultado positivo de esto es el aspecto social de una mejor posición social en el barrio, lo que mejora la calidad de vida de muchos hogares y hace que una empresa doméstica no sólo es una actividad económica, sino también una actividad social importante.

Discusión y conclusión

Una empresa doméstica es un fenómeno común en la Zona 16 de Julio, el corazón económico de la ciudad de El Alto. Empresas domésticas a menudo son organizadas de manera informal. A pesar de la suposición común de que los hogares con una empresa doméstica son pobres y no tienen otras posibilidades, ellos definitivamente no son las más pobres de la sociedad. Aunque a veces puede ser que empresas domésticas son pequeñas y marginales, con pocas oportunidades de crecer, las familias logran obtener una vida y mantener la cabeza fuera del agua. Por eso son de gran importancia económica y social para los hogares realizandolas. Una empresa doméstica proporciona el hogar con una fuente

importante de ingresos (extras) y, al mismo tiempo, es una actividad social, lo que mejora la calidad de vida de la familia. Pero en contra de la creencia común en la literatura que el sector informal es a menudo un paso hacia la formalidad, los resultados de este estudio no muestran una gran probabilidad de que muchas personas lleguen a este sector formal. Muchos empresarios sólo tienen éxito en mantener su negocio a través del tiempo, que hace realizar una empresa doméstica más bien una estrategia de supervivencia que una estrategia de acumulación. El sector informal es un sector altamente deseable, ya que proporciona empleo a muchas personas que no son capaces de encontrar otro trabajo o que se mezclan en la pobreza.

No es realista para esperar que estas familias en algún tiempo desarrollan un negocio grande y exportando, pero eso no es su intención. Al realizar una empresa doméstica estos hogares son capaces de generar un ingreso (extra) de bienvenida en el bolsillo y de mantener la cabeza fuera del agua. Esto los convierte definitivamente no entre los más pobres de la sociedad.

Outline

List of figures, tables, text boxes, and images	24
List of abbreviations	28
Introduction	29
1 Thematic-theoretical context	31
1.1 Home-based enterprises	31
1.1.1 Frequency and variety of HBEs	32
1.1.2 Organization of HBEs	33
1.1.3 Economic and social significance of HBEs	35
1.1.4 Continuity of HBEs	36
1.2 The urban informal economy	37
1.2.1 The evolution of the concept and definitions	37
1.2.2 Reasons for informality	38
1.2.3 Characteristics of the informal economy	39
1.2.4 Vulnerability in the informal sector	40
1.2.5 Side-notes concerning the concept of informality	41
1.3 Neighbourhood consolidation	41
1.3.1 Urbanization matters	41
1.3.2 Urbanization of poverty and informal settlements	42
1.3.3 Neighbourhood consolidation and urban transformation	43
1.4 Local Economic Development	45
1.4.1 Defining LED	45
1.4.2 LED in a developing context: four dimensions of LED	45
1.4.3 LED strategies	47
1.4.4 Tools for employment creation and business development	47
1.5 Conceptual model	48
1.6 Research questions	49
1.7 Operationalization of concepts	50
1.8 Methodology	50
1.9 Expectations	50
1.10 Summary	51
2 The setting: Introduction to Bolivia and the city of El Alto	53
2.1 Introduction to Bolivia	53
2.1.1 Geographical characteristics	53
2.1.2 Population and Aymara culture	54
2.1.3 Poverty, unemployment, and labour market segregation	54
2.1.4 Politics	57
2.2 Introduction to El Alto	57
2.2.1 History of occupation and growth in El Alto	58
2.2.2 Neighbourhood consolidation in El Alto	60
2.2.3 The El Alto of today: A divided city	61
2.2.4 Home-based entrepreneurship in El Alto	62
2.3 The facilitating context: Policies and interventions for business development in Bolivia and El Alto	63
2.3.1 Plan Nacional de Desarrollo	64
2.3.2 Policies and interventions for business development on national level	65

2.3.3	Policies and interventions for business development on local level	67
2.4	Summary and conclusion	68
3	Profile of the Zona 16 de Julio: Neighbourhood consolidation and urban transformation	71
3.1	Demographic characteristics	72
3.2	Socio-economic characteristics	74
3.2.1	Education	74
3.2.2	Occupational structure	75
3.2.3	Incomes	79
3.3	Residential characteristics	79
3.3.1	Original allotment and densification	79
3.3.2	Morphological characteristics	81
3.3.3	Level of service provision	83
3.3.4	Tenure relations	83
3.4	Functional characteristics	84
3.4.1	The Fería 16 de Julio	85
3.4.2	The functional use of land	86
3.4.3	Economic activity	87
3.5	Conclusion	90
4	Home-based enterprises in the Zona 16 de Julio	93
4.1	Frequency and location of home-based enterprises	93
4.2	Variety of and motives for home-based enterprises	96
4.3	The informal organization of home-based enterprises	98
4.3.1	The size of home-based enterprises	99
4.3.2	Internal organization and employment relations	99
4.3.3	Registration	101
4.3.4	Skills and education	102
4.3.5	HBE income	103
4.3.6	Investments and credits	105
4.3.7	Consumption and production	107
4.4	Continuity of home-based enterprises	108
4.5	Conclusion	109
5	The economic and social significance of home-based enterprises in the Zona 16 de Julio	111
5.1	Economic significance	111
5.1.1	Use of the HBE income	111
5.1.2	Households' opinion on the HBE income	112
5.2	Social significance	116
5.2.1	Opinion on the HBE	116
5.2.2	Interaction between the neighbourhood and the HBE	118
5.3	Conclusion	124
	Discussion and conclusion	125
	References	131
	Appendix 1: Operationalization of concepts	135
	Appendix 2: Methodology	137
	Appendix 3: List of land use functions	143
	Appendix 4: Questionnaire	146
	Appendix 5: Overview of in-depth interviews	161
	Appendix 6: Overview of land use in the Zona 16 de Julio	162

List of figures, tables, text boxes, and images

List of figures

Figure 1.1	The influence of consolidation and transformation on Local Economic Development	44
Figure 1.2	Conceptual model	49
Figure 2.1	Geographical location of Bolivia	53
Figure 2.2	Indigenous groups in Bolivia	54
Figure 2.3	Location of El Alto relative to La Paz	58
Figure 2.4	Population growth in La Paz and El Alto, 1950-2010	59
Figure 2.5	Aerial pictures of Villa Dolores, El Alto, respectively 1956 and 1994	59
Figure 2.6	Structural division of El Alto	61
Figure 2.7	Percentage of households living in poverty, urban agglomeration of La Paz, 1992	62
Figure 3.1	Population pyramid of the Zona 16 de Julio in 1992	72
Figure 3.2	Population pyramid of the Zona 16 de Julio in 2010	72
Figure 3.3	Population pyramid of the Zona 16 de Julio (in 2010) and of the city of El Alto (in 2001)	73
Figure 3.4	Age specific participation in education for men and women between 6 and 25 in the Zona 16 de Julio in 2010 (as percentage of total)	75
Figure 3.5	Age specific participation on the labour market in the Zona 16 de Julio in 1984, 1989, 1994, and 1999 (seven years and older)	75
Figure 3.6	Age specific participation on the labour market in the Zona 16 de Julio in 2010	76
Figure 3.7	Original allotment in the Zona 16 de Julio	80
Figure 3.8	Horizontal and vertical densification in the Zona 16 de Julio	80
Figure 3.9	Block with constructed alley	81
Figure 3.10	Clustering of activities on the Feria 16 de Julio	85
Figure 3.11	Percentage of plots with only residential function in the Zona 16 de Julio in 2010	86
Figure 3.12	Percentage of plots used for economic activity in the Zona 16 de Julio in 2010	87
Figure 4.1	Percentage of households performing a HBE in the selected blocks in the Zona 16 de Julio in 2010	94
Figure 4.2	Difference in economic activity between a market day and a non-market day, example of a block that does not border a main road in the Zona 16 de Julio in 2010	94
Figure 4.3	Difference in economic activity between a market day and a non-market day, example of a block that borders a main road in the Zona 16 de Julio in 2010	95
Figure 4.4	Example of inventory of HBEs in a block that borders a main road in the Zona 16 de Julio in 2010	95
Figure A2.1	Geographical location of the Zona 16 de Julio	137
Figure A2.2	The Zona 16 de Julio and its neighbourhoods	137
Figure A2.3	Plot selection	138
Figure A2.4	Example neighbourhood mapping	139

List of tables

Table 1.1	Percentage of households with HBE in different cities in developing countries	32
Table 1.2	Characteristics of the informal economy	40
Table 3.1	Amount of members per household in the Zona 16 de Julio in 2005	

	and 2010 (as percentage of total)	73
Table 3.2	Types of households in the Zona 16 de Julio in 2010	73
Table 3.3	The education attainment level of men and women (five years and older) in the Zona 16 de Julio in 1992, 2005, and 2010 (as percentage of total)	74
Table 3.4	The education attainment level of boys and girls between six and eighteen years old in the Zona 16 de Julio in 2010	74
Table 3.5	Labour relations in the Zona 16 de Julio in 1984, 1989, 1994, 1999, 2005, and 2010	76
Table 3.6	Job stability in the Zona 16 de Julio in 1984, 1989, 1994, 1999, 2005, and 2010	77
Table 3.7	Employment per economic sector in the Zona 16 de Julio in 1984, 1989, 1994, 1999, 2005, 2010	77
Table 3.8	Occupations for men and women in the Zona 16 de Julio in 2010	79
Table 3.9	Type of income in the Zona 16 de Julio in 2005 and 2010	79
Table 3.10	Average individual income of men and women in the Zona 16 de Julio in 1989, 1994, 1999, and 2010 (in Bolivianos)	79
Table 3.11	Number of household members with an income in the Zona 16 de Julio in 1984, 1989, 1994, 1999, 2005, and 2010	79
Table 3.12	Amount of plots in total and per block in the Zona 16 de Julio (sorted by neighbourhood) in 1989, 1994, 1999, and 2010	80
Table 3.13	Amount of floors per building in the Zona 16 de Julio in 1989, 1994, 1999, and 2010	81
Table 3.14	Amount of families per building in the Zona 16 de Julio in 2010	82
Table 3.15	Amount of floors, rooms and bedrooms per household in the Zona 16 de Julio in 2010 (and 1992)	82
Table 3.16	Households with a shower, toilet or kitchen in the Zona 16 de Julio in 1984, 1989, 1994, 1999, and 2010	82
Table 3.17	Materials of the walls and floors of the buildings in the Zona 16 de Julio in 2010	88
Table 3.18	Households with access to basic services in the Zona 16 de Julio in 1984, 1989, 1994, 1999, 2005, and 2010	83
Table 3.19	Changes in tenure relations in the Zona 16 de Julio in 1984, 1989, 1994, 1999, and 2010	84
Table 3.20	Tenure relations in the Zona 16 de Julio in 2010	84
Table 3.21	Relationship between size of home and tenure relation in the Zona 16 de Julio in 2010	84
Table 3.22	Function of plots in the Zona 16 de Julio in 2010	86
Table 3.23	Land use for economic activity in the Zona 16 de Julio in 1989, 1994, 1999, and 2010	87
Table 3.24	Amount of different economic activities per plot in the Zona 16 de Julio in 2010	88
Table 3.25	Amount of sectors in which economic activity takes place per plot in the Zona 16 de Julio in 2010	88
Table 3.26	Economic activity sorted by neighbourhood in the Zona 16 de Julio in 2010	89
Table 3.27	The ten most common economic activities per neighbourhood in the Zona 16 de Julio in 2010	89
Table 4.1	Percentage of households with a HBE in the Zona 16 de Julio in 2010	93
Table 4.2	Types of HBEs sorted by neighbourhood in the Zona 16 de Julio in 2010	96
Table 4.3	HBEs in the Zona 16 de Julio in 2010	97
Table 4.4	Motives of starting/operating a HBE in the Zona 16 de Julio in 2010	98
Table 4.5	Number of workers in HBEs in the Zona 16 de Julio in 2010	99
Table 4.6	Responsibility, administration and experience in HBEs in the Zona 16 de Julio in 2010	99

Table 4.7	Percentages of responsible persons that also administrate and have the main experience in the HBE in the Zona 16 de Julio in 2010	100
Table 4.8	The sex of the responsible person of the HBE in the Zona 16 de Julio in 2010	100
Table 4.9	Workers in HBE in the Zona 16 de Julio in 2010	100
Table 4.10	Income of households with HBE in the Zona 16 de Julio in 2010 compared to the Bolivian minimum wage of 2008	104
Table 4.11	Investments made in the HBE in the Zona 16 de Julio in 2010 (in\$US)	105
Table 4.12	Average investments sorted by type of HBE in the Zona 16 de Julio in 2010 (in \$US)	105
Table 4.13	Investment sources of first and last investments of households with a HBE in the Zona 16 de Julio in 2010	106
Table 4.14	Average of first and last investments in HBE sorted by investment source in the Zona 16 de Julio in 2010 (in \$US)	106
Table 4.15	Type of investment made by households with HBE in the Zona 16 de Julio in 2010	107
Table 4.16	The use of space sorted by type of HBE in the Zona 16 de Julio in 2010	107
Table 4.17	Available space for households with and without a HBE in the Zona 16 de Julio in 2010	108
Table 4.18	Problems/difficulties experienced by HBE operators in the Zona 16 de Julio in 2010	108
Table 4.19	Types of HBEs of households that changed the nature of their HBE in the Zona 16 de Julio in 2010	109
Table 5.1	Percentage of households that mention type of use of HBE income in the Zona 16 de Julio in 2010	111
Table 5.2	Things households could not pay without HBE in the Zona 16 de Julio in 2010	112
Table 5.3	Importance of the HBE income in the Zona 16 de Julio in 2010	113
Table 5.4	HBE households' opinion on current financial situation in the Zona 16 de Julio in 2010	114
Table 5.5	Satisfaction of households with the neighbourhood in the Zona 16 de Julio in 2010	119
Table 5.6	Neighbours as most important customers sorted by type of HBE in the Zona 16 de Julio in 2010	120
Table 5.7	Neighbours as most important customers sorted by location of HBE in the Zona 16 de Julio in 2010	120
Table 5.8	Help of neighbours sorted by type of HBE in the Zona 16 de Julio in 2010	121
Table 5.9	Help of neighbours sorted by location of HBE in the Zona 16 de Julio in 2010	121
Table 5.10	Experienced competition sorted by type of HBE in the Zona 16 de Julio in 2010	121
Table 5.11	Experienced competition sorted by location of HBE in the Zona 16 de Julio in 2010	122
Table 5.12	Experienced jealousy sorted by type of HBE in the Zona 16 de Julio in 2010	122
Table 5.13	Social position of HBE owner sorted by type of HBE in the Zona 16 de Julio in 2010	123
Table 5.14	Social position of HBE owner sorted by location of HBE in the Zona 16 de Julio in 2010	123

Text boxes

Box 1.1	Household shelter strategies	42
Box 4.1	Sonia – Bookstore/Phone calls centre	98
Box 4.2	Julio – Car mechanics workshop	103
Box 4.3	Antonio – Tienda de barrio	104
Box 5.1	Marco Antonio and Amalia – Restaurant	116
Box 5.2	Sonia – Bookstore/Phone calls centre	124

Images

Image 2.1	El Alto relative to La Paz	58
Image 2.2	Typical building in El Alto	62
Image 3.1	Typical building in the Zona 16 de Julio	83
Image 3.2	The Fería 16 de Julio	85
Image 4.1	A tienda de barrio	96
Image 4.2	A quasi separate business location	108

List of abbreviations

BIRF	Banco Interamericano de Reconstrucción y Fomento
CEDLA	Centro de Estudios para el Desarrollo Laboral y Agrario
CIA	Central Intelligence Agency
FURIA	Frente de Unidad y Renovación Independiente de El Alto
GDP	Gross Domestic Product
HAM	Honorable Alcaldía Municipal de La Paz
HBE	Home-based enterprise
HDI	Human Development Index
IDS	Institute of Development Studies
ILO	International Labour Organization
INE	Instituto Nacional de Estadísticas
ISI	Import Substitution Industrialization
LAD	Law on Administrative Decentralization
LED	Local Economic Development
LPP	Law on Popular Participation
NGO	Non-Governmental Organization
PND	Plan Nacional de Desarrollo
SLED	Sustainable Local Economic Development
UN	United Nations
UNFPA	United Nations Population Fund
UN-HABITAT	United Nations Human Settlement Programme

Introduction

Anybody who has lived or travelled in countries in the global economic 'South' surely recognizes the topic of this study. One may have been tempted to buy a soft drink from a young boy selling beverages on the street or a home-made snack sold from a kitchen window. Through an open door one may have caught a glimpse of a man repairing cars from his garage or a woman sewing a dress. These home-based activities are quite common in cities in developing countries and play an important role in the lives of many households.

The world is under the spell of rapid urbanization. Cities have grown and are growing dramatically. For 2030 it is expected that about sixty percent of the world population is living in cities. However, urbanization takes place at a much faster rate in developing countries than in other countries (UNDESA, 2006). Many developing countries are facing big differences between rural and urban areas. Rural areas struggle with poverty, unemployment and deprivation, while the life in cities often is richer and better organised. This causes major flows of rural to urban migration (Potter et al., 2004). Rapid urbanization has important social and economic consequences for life in cities in developing countries and leads to the emergence and existence of an urban informal sector with respect to housing and employment. The rapid pace of urbanization in developing countries puts high pressure on space, since people need to live somewhere. Due to the often failing housing policies of the government people provide themselves with housing by so-called self-help housing. Living circumstances in these informal settlements can be characterized by a lack of basic services, inadequate building structures on poor locations, overcrowding and high population density, insecure tenure, unhealthy living conditions, and poverty and social exclusion (UN-HABITAT, 2003). Often these neighbourhoods are in a later stage part of neighbourhood consolidation project, in which the government provides the residents with tenure security and basic services, and the residents themselves improve their houses.

The other side of the urban informal sector is informal employment, a concept used to describe insecure forms of economic activity (Henley, Arabsheibani & Carneiro, 2008). In developing countries many city dwellers are unable to sell their labour to established public or private sector organizations, because there are more people than jobs. Therefore they sell their labour, individually or with others, through less secure means (Harper, 1992). In many cities self-employment is growing more rapidly than salaried employment. The urban informal economy is often characterized by few workers, family run activities, long working hours, few formal contracts, avoiding taxes, limited need of skills, low financial capital and low incomes (Tipple, 2005). Although working in the informal sector is quite insecure and the sector can be characterized by a high degree of vulnerability, it provides employment, and thus income, to many city dwellers who are not able to find another job or for whom the costs of being formally employed are too high.

An important group of, often informally, self-employed city dwellers are those who use their house for income generation. Using the home not only for shelter, but also for income-generation is a widespread phenomenon in many cities in developing countries (Sinai, 1998). It is by no means a new phenomenon, but gained renewed attention during the last decade (Gough, 2010). Home-based enterprises (HBEs) tend to be spread across a wide spectrum of industries, although some activities are more likely to be home-based than others. The frequency and variety of HBEs is often very context dependent and related to unemployment, income and the degree of neighbourhood consolidation. HBEs are often informally organized and often assumed to be vulnerable and marginal. For a long time HBEs were seen as informal, illegal and undesirable. However, the renewed attention for home-based entrepreneurship emphasizes the major economic and social importance of the enterprises for the households realizing them. It provides the households with an important income source and operates as a significant social activity for interconnectedness within a neighbourhood.

This study focuses on home-based entrepreneurship in three neighbourhoods in the city of El Alto, the satellite city of La Paz, which is the political capital of the country. El Alto is a school example of a city made of self-help housing and part of many neighbourhood consolidation projects. El Alto was a rural area until the 1950s, when massive rural to urban migration filled up the city of La Paz and people started to live on the higher situated plateau (Altiplano) as well. In sixty years the city grew to an independent city of almost one million inhabitants. Besides the fact that El Alto mainly arose from self-help housing, people also created employment in some way or another. About 65% of the population is employed through micro enterprises. Many of these are performed in or close to the house. The study is carried out in three neighbourhoods in the city of El Alto, together called the *Zona 16 de Julio*. These neighbourhoods are some of the oldest neighbourhoods in the city, part of the first neighbourhood consolidation project in the city, located relatively close to La Paz, almost totally consolidated and part of the city centre.

The research question of this thesis reads: *What are the characteristics of home-based entrepreneurship in the Zona 16 de Julio in El Alto and what is the economic and social significance of these home-based enterprises for the quality of life of the households realizing them?*

The study forms part of a longitudinal research on neighbourhood consolidation in the Zona 16 de Julio in El Alto, which is already carried out for some thirty years by researchers, professors, and students of the University of Utrecht in the Netherlands. This study continues the longitudinal research, but at the same time expands the research by focussing on home-based entrepreneurship. Kranenburg (2002), who participated in the longitudinal research and did a post graduate research on neighbourhood consolidation and urban transformation in the Zona 16 de Julio in El Alto, concluded his book with the message that some themes received little attention in the research material and recommended that further research should also include, amongst others, micro economic aspects (Kranenburg, 2002). This study on home-based entrepreneurship tries to fill this gap. The study not only continues the longitudinal research by providing an update of data on neighbourhood consolidation and urban transformation, but also gives insight in home-based entrepreneurship in the Zona 16 de Julio and the social and economic significance of these enterprises for the households performing them.

The composition of this thesis follows the model of an hour glass. The thesis starts with a broad literature overview in chapter one, covering past and recent theoretical approaches with respect to home-based entrepreneurship, the urban informal economy, neighbourhood consolidation, and Local Economic Development. This chapter also presents the conceptual model, the research questions, the operationalization of concepts, the methodology and expectations. The second chapter then introduces Bolivia and the city of El Alto and elaborates on the facilitating context with respect to policies and interventions on national and local level. The third chapter further zooms in on the research area, the Zona 16 de Julio. This chapter presents a complete neighbourhood profile with respect to demographic, socio-economic, and residential characteristics that reflect neighbourhood consolidation in the Zona 16 de Julio, by presenting the new found data as well as comparing it to already existing data. The chapter concludes with the functional characteristics of the Zona 16 de Julio that reflect urban transformation processes, and introduces economic activity in the Zona. This chapter has its focus on neighbourhood level. The fourth chapter then further zooms in on household level by focussing on the specific group of households using their home for their economic activity and exploring home-based entrepreneurship in the Zona. It analyses the frequency and location of HBEs, the variety of and motives for HBEs, and the organization of HBEs. The fifth chapter stays on household level and elaborates on the economic and social significance of HBEs for the households performing them. Finally, the discussion and conclusion go back to the literature overview, reflect upon the findings and place the found results in the context of what is already known and what is new.

1 Thematic-theoretical framework

Central in this study are home-based enterprises (HBEs) and their economic and social importance for the households performing them. Therefore this thematic-theoretical framework starts with an elaboration on existing literature about HBEs by dealing with a definition of HBEs, the frequency and variety of HBEs, the organization of HBEs, the economic and social significance of HBEs and the continuity of HBEs. The literature shows that there are two important aspects concerning HBEs. First, many HBEs operate in the informal economy. Therefore section two deals with the evolution of the concept of informality, definitions of informality, reasons for informality, characteristics of informality, vulnerability in the informal sector, and side-notes for using the concept of informality. Second, a strong relationship between neighbourhood consolidation and HBEs exists. Neighbourhood consolidation can even be seen as a precondition for entrepreneurship. Especially in El Alto, the research area of this study, neighbourhood consolidation is an important factor. Therefore the third section deals with an elaboration on the existing literature on urbanization, self-help housing and neighbourhood consolidation. It turns out that Local Economic Development (LED) is an important result of neighbourhood consolidation and increased entrepreneurship in a neighbourhood, but in its turn influences entrepreneurship as well. The fourth section therefore elaborates on theories on LED. In the fifth section the chapter presents the conceptual model resulting from the obtained information in literature, while in the sixth section the research questions are presented. The chapter further elaborates on the operationalization of concepts in the seventh section, the methodology in the eighth section, and the expectations in the ninth section.

1.1 Home-based enterprises

Using the home not only for shelter, but also for income-generation is a widespread phenomenon in many cities in developing countries (Sinai, 1998). However, home-based enterprises have long been overlooked in literature. Fortunately, the last decade has witnessed a plethora of studies on home-based enterprises (Gough, 2010).

A home-based enterprise (HBE) can be defined as an economic activity “which occurs in or very close to the home rather than in a commercial or industrial building or area.” (Tipple, 2005:613) This is by no means a new phenomenon. Working from the home was common in pre-industrial times. This changed with industrialization, when a division between public (male) and private (female), and between work and living conditions became the norm. However, in many cities in developing countries using the home for income generation is still widespread (Verrest, 2007). According to the United Nations Human Settlements Programme (UN-HABITAT) and the International Labour Organization (ILO), high unemployment levels in urban areas is one of the major problems faced by all developing countries. HBEs are found in most cities in developing countries where people start them as a solution to the unemployment problem (Kigochie, 2001). This section presents an overview of existing literature on HBEs and elaborates on the frequency and variety of HBEs, the organization of HBEs, the economic and social significance of HBEs for households, and the continuity of HBEs.

1.1.1 Frequency and variety of HBEs

“Despite the difficulties recording HBEs due to the often hidden nature of work, it is now clear that they are a common feature of urban settlements in the Global South.” (Gough, 2010:46) Estimates on the frequency of HBEs vary considerably between and within different geographical locations. Low estimates claim that about 25% of the households operate a HBE, while high estimates claim that about 77% of the households have any kind of HBE (Verrest, 2007). Table 1.1 shows that the frequency of HBEs is extremely context dependent.

Table 1.1: Percentage of households with HBE in different cities in developing countries

Country	City	Households with HBE (%)	Source
Bangladesh	Dhaka	27	Mahmud (2003)
India	New Delhi	24	Tipple (2005)
Indonesia	Surabaya	21	Tipple (2005)
Ghana	Accra	33	Gough et al. (2003)
Ghana	Accra	49	Yankson (2000)
Ghana	Kumasi	24	Sinai (2002)
Nigeria	Enugu	47	Onyebueke (2001)
South Africa	Pretoria	40	Tipple (2005)
Colombia	Pereira	30	Gough & Kellet (2001)
Colombia	Santa Marta	20	Gough & Kellet (2007)
Suriname	Paramaribo	37	Verrest & Post (2007)

N.B. The ways in which HBEs are defined and recorded may vary between authors.

Adapted from: Gough, 2010

Besides the differences in frequencies of HBEs between different cities in different developing countries, remarkable differences exist between neighbourhoods within cities. A range of factors affect the frequency of HBEs. One important aspect is the degree of neighbourhood consolidation (Gough, 2010; Kranenburg, 2002; Tipple, 2004), by which is meant the process of neighbourhood

improvement. Neighbourhood consolidation exists of three aspects: (1) an increase of the tenure security; (2) an increase in the level of services and infrastructure; and (3) the formation and expansion of social networks and organizations (Kranenburg, 2002) (Section 1.3 will deal with neighbourhood consolidation more in detail.). There are relatively more HBEs found in older and more consolidated neighbourhoods of a city, since the improved provision of infrastructure and services increases the opportunities for entrepreneurship (Gough, 2010). Neighbourhood consolidation, and especially neighbourhood upgrading is a precondition for entrepreneurship, since the transformation process of the neighbourhood provides the residents with a whole range of new possibilities to generate income. Without access to basic services or infrastructure, and without tenure security, it is not attractive to invest in the neighbourhood. The process of improvement and consolidation of the neighbourhood is necessary for the residents to start economic activity (Gough, 2010; Kranenburg, 2002). The relationship between neighbourhood consolidation and economic activity also works the other way around, since the increase of economic activity is part of the neighbourhood consolidation process itself (Tipple, 2005). Another important aspect concerning the differences in frequency of HBEs between neighbourhoods within cities is the socio-economic level of the residents. HBEs are relatively more often found in high-density, low-income neighbourhoods than in low-density, high-income neighbourhoods (Gough, 2010).

A wide variety of HBEs can be found in cities in developing countries. HBEs tend to be spread across a wide spectrum of industries. However some activities are more likely to be home-based than others, especially activities that serve the local demand of the neighbours and need only limited skills and financial capital. These can be activities like shops selling daily necessities, the preparation and sale of food and beverages, teashops and bars, hairdressers, tailors, shoemakers, and artists (Gough, 2010; Gough & Kellet, 2001; Gough, Tipple & Napier, 2003; Sinai, 1998; Tipple, 2005).

1.1.2 Organization of HBEs

As already mentioned HBEs are economic activities that are performed in or close to the house. But there are more specific characteristics in the organization of these enterprises.

HBEs tend to be small. This is usually measured by the number of workers. The majority of HBEs are ones of self-employment, in which the self-employed proprietor is often worker, manager, and owner all at once. Often other household members do help, but are most of the times not paid for their labour. As a result of their efforts they enjoy a household income that is higher than that of households without HBE. In some cases child labour is used as well. Only a few larger HBEs tend to provide jobs for workers from outside the household. These labour relations are mostly based on casual employment, kinship or personal and social relations, rather than on contractual arrangements with formal guarantees (Tipple, 2005).

There is a clear predominance of women who run HBEs. This has several reasons. First, the home is considered a female space (Gough, 2010). Since the home is within the domain of the women, it is they who play the major role in realizing the HBE (Mahmud, 2003). Second, working from the home enables women to combine their productive activities with their reproductive responsibilities (Gough, 2010). The idea of combining the work and family space encourages women to take part in income generation just as their male counterparts, since they can generate income and do the housekeeping at the same time (Mahmud, 2003). A third reason is that women often have less access to the formal labour market. "Women from low-income families who do not have access to the formal job market often use their domestic spaces for income generation and get involved in a variety of economic activities." (Mahmud, 2003:321) The income generated with the HBE is a critical source of income for women and often crucial for the basic survival of low-income families (Mahmud, 2003).

HBE operators learn skills from a wide range of formal and informal sources. Formal sources are schools and skills-training centres. Informal sources include household members, neighbours, relatives or friends. Verrest (2007) argues that informal sources are the most important source for the acquisition of skills. Further she argues that very few HBE operators expand their skills after they started their business. For the operators that do expand their skills in a later stage, formal sources in this stage become more important, and sometimes even more important than informal sources. However, in some cases informal sources remain the most important. Each type of HBE of course requires a specific type of skills, and for some HBEs formal sources are more important than for others. Verrest also distinguishes between technical skills and business skills. Technical skills refer to skills required for performing a specific activity. Most HBE operators use technical skills at a basic level without much specialisation, such as babysitting, hair braiding, or cooking simple foods. Business skills refer to skills to run a business. In her research, Verrest argues that these skills are less important amongst HBE operators (Verrest, 2007).

So, HBEs rely for a great degree on the household as the main provider of labour. The large majority of HBE operators prefers household labour over the input of external employees, since labour of household members can be free and can be called in part-time and flexibly. However, by relying mainly on labour provided by household members, HBE-operators have to cope with irregular flows of work and demands from multiple activities that take place at the same time. But, according to HBE operators, external employees will never put in the same energy and work as household members, and can never be fully trusted. Further, the household can provide the HBE with money generated through a job. Since household members have strong relationships of trust amongst each other, the household is considered to be an important institution for operating a HBE (Verrest, 2007).

There is often thought that especially households in the lowest-income groups perform HBEs (Gough, 2010). However, this relationship between poverty and HBEs is not so clear for two reasons (Tipple, 2005).

The first reason why the relationship between poverty and HBEs is not so clear is that operating a HBE requires some financial input. This can be own savings, formal sources and informal sources of financial investments. Formal sources are loans from a bank, loans from a credit union, loans from a micro-finance institution, and hire-purchase. Informal sources

include donations by household members and family, loans from the family, and loans from a moneylender. Further distinction can be made between first investments and secondary investments. The research of Verrest (2007) shows that the most used form of financial investment is own savings, for the first investment as well as the second investment; that second investments are often a bit higher than first investments; that when it comes to second investments informal sources of investment gain more importance; and that formal sources of investments are not so common (Verrest, 2007). However, in general financial investments in HBEs tend to be low. Although financial investments in HBEs are low, capital of any sort is needed. Therefore families that are performing HBEs are probably not the lowest-income families.

Informal sources of investments are relatively more often used than formal sources. "Aimed at filling this gap in the formal loan market, micro-credit, in the larger context of micro finance, was one of the growth industries of the 1990s." (Tipple & Coulson, 2007) Concerning the enthusiasm for micro-credit in the international development scene, one would expect that many HBE operators would make use of this opportunity to financial capital. However, this is not always the case. Micro-credit institutions are quite common in developing countries and all initiatives are aimed at reducing poverty. Micro-credit is not only meant for starting up enterprises, but addresses a wide variety of cash needs, such as health, education, marriage and funeral expenses, the means to cope with household emergencies, and many other needs. Micro-credit lending schemes tend to start with a small loan for one year. When the borrower has shown its reliability, repeater loans of increasing amounts are available. A common form of micro-credit is lending to individuals within solidarity groups, whereby the risk of lending is shifted to the group. Often micro-credit initiatives focus on women, since they are thought to be more reliable than men in terms of repayments. Micro-credit can be an important factor for survival strategies of women and for empowerment, if not affected by male-dominated gender relations. One of the countries seen as a school example with respect to micro-credit is Bolivia, since the micro-credit sector is highly developed. There are many institutions supported by the government. The Bolivian micro-credit sector is seen as an example in which credit can facilitate the growth of micro-businesses, since there are some 35 micro-finance institutions providing access to credit for many people. Tipple and Coulson (2007) did not find "a happy picture of the availability and use of credit by HBE operators" (Tipple & Coulson, 2007:153). Most HBE operators in their study areas operated without credit and were financed by income from other jobs and windfall gains, despite all the attention paid to micro-credit and the presence of many institutions providing credits. They found that often fear exists of borrowing at a level that makes repayment difficult. The interest rate of micro-credit is slightly higher than those of banks, but lower than those of money lenders. People have some kind of distrust of loans and lending, they do not want to get in trouble and therefore are not interested in using micro-credit. However, in cases where the HBE operators wanted to use micro-credit, they found it quite impossible. HBE-operators do not always have access to micro-credit since they are seen as high-risk borrowers. However, Tipple and Coulson (2007) found that it depends to a great extent on the size and degree of development of the micro-credit sector in a country. In some cases micro-credit institutions were not doing business in helpful ways such as assisting in business plans and ideas. In countries where there is a substantial micro-credit sector, which provide affordable loans to the poor, such as Bolivia, where the sector is well developed, formal sources of investment are more common (Tipple & Coulson, 2007).

The second reason why the relationship between poverty and HBEs is not so clear is that families that are performing HBEs are not part of the lowest-income groups when looked at the actual incomes of households operating a HBE. Tipple (2005) found out that incomes from HBEs are often not large, but that remarkable differences exist between countries. In some countries HBE operators earn slightly more than the minimum wage, while in other countries a little bit less than three times the minimum wage. By adopting the triple role of owner, investor and worker, HBE operators can often make more money than comparable waged workers in the formal sector. In many cases income from the HBE is not the only income, when households do have several income sources. In these cases the income from the HBE makes an important financial contribution to the total household income. Although

remarkable differences exist between households, cities and countries, households performing a HBE are not automatically part of the lowest-income groups (Tipple, 2005).

Furthermore, the organization of HBEs often reflects characteristics of informality, on which section 1.2 elaborates.

1.1.3 Economic and social significance of HBEs

Since HBEs are a common phenomenon in developing countries, the importance of these activities becomes much more recognized. In spite of the often small-scaleness and informality of HBEs, they can be of big importance to households both economically as well as socially.

Concerning the economic significance of HBEs, literature sources are quite brief. HBEs are an important income-generating strategy and can play a key role in poverty alleviation. Many households are quite dependent on the income generated by the HBE, since it is their only income source. Other households combine the HBE with other (formal) employment to achieve an adequate collective income for the household (Gough, Tipple & Napier, 2003). In the study of Tipple it turns out that households without HBEs earn between 38% to 75% of the income of households with a HBE (Tipple, 2005).

Concerning the social significance of HBEs, close relationships exist between the HBE and the neighbourhood which they are part of. These relationships are double-sided, the neighbourhood is important for realizing the HBE, while the HBE is important for the neighbourhood as well.

The neighbourhood is the most important sales location and its residents the most important market. That makes HBEs rather non-basic than basic enterprises. These two concepts are traditionally used to categorize companies. A basic company is a company that requires local labour, but the sales take place outside the region. In this way money enters the region. Opposite to this is a non-basic company. A non-basic company also requires local labour, but also has a local sales market. The products or services therefore stay in the region and the money comes from within the region. The basic or non-basic function of a company depends on the type of product or service of the company. A bakery for example offers a product that is frequently used by customers, while a furniture shop offers a more specialized product. Related concepts are threshold value and serving area. Companies with a lower threshold value, a smaller serving area, and a less specialized product, often serve the local population and are non-basic companies (Hoekstra, 2009). Many HBEs are non-basic companies, of which the market is small in size and the demand low, because of the low-income character of the neighbourhood. However, HBE operators are very well aware of this, because of their similar socio-economic status. HBE operators and their clients are not anonymous to each other, but maintain several relations, since customers are mainly neighbours, family and friends. Verrest (2007) in her study on HBEs in the Caribbean argues that underlying these relations are four codes of conduct, namely 'you need to help each other', 'it is important to live in peace with your neighbours and family', 'everybody needs to make a dollar', and 'people are jealous and they want to bring you down'. The quality of these relations between HBE operators and their clients on neighbourhood level results in several market advantages and limitations. Advantages are mouth-to-mouth advertising and reliance on the community in rocky times. However, limitations can be jealousy of the neighbours, which results in the assumption that HBE operators have more than enough money to give their neighbours something for free, and competition, since people copy the success of their neighbours (Verrest, 2007).

In their article on small home-based trade stores in Cochabamba (Bolivia), Coen, Ross and Turner (2008) argue that, besides the fact that HBE operators make use of the network of the neighbourhood, HBEs are also very important for the neighbourhood itself. First, HBEs provide the residents of the neighbourhood with close-to-home daily necessities. Second, HBEs are quasi public spaces, which allow people to go out their house and do something. Because of HBEs there is movement of people. Third, HBEs are local loudspeakers. HBEs act as catalysts of neighbourhood communication networks. Fourth, HBEs are also linked to local mechanisms of informal social control. HBE operators know

almost everybody in the neighbourhood and play an important role in safety and auto-regulation of socially acceptable behaviour and norms. Fifth, HBEs are sources of local social support, when they help and support residents morally. Sixth and last, HBEs provide a helping hand in material support, when they offer goods to clients in material needs, without expectation of repayment. In all this, trust is an important element. Once residents and HBE operators have built a mutual relationship of trust, they can rely on mutual support (Coen, Ross & Turner, 2008).

1.1.4 Continuity of HBEs

Although HBEs are of big economic and social importance to the households performing them, they are not operating without difficulties and some have limited possibilities to grow. However, according to Gough (2010) there is an incorrect tendency to consider HBEs as providing insignificant and temporary forms of work. Gough collected data over a period of ten years from HBE operators in Accra (Ghana) and proved that many HBEs display a remarkable ability to survive. She interviewed 150 HBE operators in 1999 and five years later it was possible to trace three quarters of them, of which ninety percent was still operating a HBE, mainly the same enterprise as five years ago. She distinguished between expanded HBEs, steady HBEs, failed HBEs and changed HBEs. Concerning her thirty in-depth interviews realized in 1999, 13% of the HBEs expanded, 43% fell into the category of having maintained a steady business over the years, 13% changed the type of their HBE, but were still operating a HBE, and about another 13% failed. The rest of the HBE operators moved houses or died. With this she showed that the majority of the HBE operators is able to survive, some of them are even able to expand, while only some fail (Gough, 2010).

Although HBE operators that have expanded their HBE over time are in a minority, some of them succeeded in doing so. Often these cases are personal success stories, but there are some common factors that contribute to the ability of expanding the business. A very important factor is the degree of entrepreneurship. The HBE operators had found a niche in the market, which they had been able to fill. With the generated profits reinvested in the HBE they have been able to expand their business. Other factors can be a rising demand for their products and being part of social networks (Gough, 2010).

However, the majority of HBE operators is not able to expand their business and just succeed in maintaining their business over time, because they have helpful personal relations with loyal customers who return time after time. This is very important in a situation of competition, in which many HBEs are operating (Gough, 2010).

Just a few HBE operators failed over time. There are several factors limiting the growth of HBEs or even causing businesses to fail: (1) personal reasons such as a weak health, (2) difficulties entering the market, (3) a falling demand due to changing tastes and falling incomes, and (4) changes in government policies (Gough, 2010). Gough, Tipple and Napier (2003) mention some other factors as well. First, many HBE operators face a lack of finance. Most of the HBE operators start and run their business with a limited amount of financial capital. They do not have that many own savings, find it difficult to obtain a loan from a bank, and find it difficult to obtain a loan from family or friends since they are equally short of capital. Second, HBE operators experience competition. A very common phenomenon is the clustering of similar enterprises in the same settlement. As the number of such businesses increases, competition also increases. This shows that the HBE market is a competitive one and that the informal sector in which many HBEs operate is unable to absorb endless numbers of people. Third, HBE operators lack the availability of space. The fact that HBEs are dependent on the house as business location limits the growth of the HBE. The mixed use of the house for residential and economic goals is not always harmonious. A lack of available space within the house limits the expansion of the HBE and many HBE operators do not have the capital to rent or purchase a space elsewhere. And fourth, in some cases crime can be a restricting factor as well, since HBE operators sometimes can feel affected by the risk of being targeted by criminals. Fear of crime impinges on the ability of HBE operators to maximize profit (Gough, Tipple & Napier, 2003).

Some HBE operators change the nature of their business. There can be several factors which contribute to a HBE changing over time. Operators may change the nature of their business by necessity following the failure of one business, due to the changing life course of the operator, or because of the entrepreneurship of the operators who are able to spot a more lucrative opportunity (Gough, 2010).

Thus, although HBEs often seem to be marginal activities with little chances for survival, this is often not the case. In spite of the many limiting and restricting factors to grow, many HBE operators succeed in maintaining their HBE, some of them are even able to expand their business.

1.2 The urban informal economy

As mentioned earlier in this chapter many home-based enterprises operate in the informal circuit. "In many contexts self-employment is growing more rapidly than salaried employment. The process of institutionalization of economic activities is slowing down." (Castells & Portes, 1989:11) A study on HBEs therefore should be seen within the social debate on informality and the informal economy. This section deals with literature on informality and elaborates on the evolution of the concept, definitions, reasons for informality, characteristics of the informal economy, and side-notes concerning the concept of informality.

1.2.1 The evolution of the concept and definitions

In developing countries many city dwellers are unable to sell their labour to established public or private sector organizations, because there are more people than jobs. Therefore they sell their labour, individually or with others, through less secure means, commonly known as the 'informal sector' (Harper, 1992).

The concept of informality comes from anthropological literature to refer to "clusters of illegal or quasi-illegal activities, usually unreported, by which people in some immigrant or ethnic communities earn income outside regular businesses and jobs." (Light, 2004:705) The concept was introduced in development studies with the presentation of Hart's paper on urban employment in Ghana in 1973. After this paper it became mainstream in development thinking, because of the rapid adoption of the approach by important international organizations, such as the ILO, the Institute of Development Studies (IDS), the United Nations (UN) and the World Bank (Bromley, 1978).

Defining the informal economy is quite challenging, since there are many theories concerning informality (Gherzi, 1997). Determining what it is *not* is therefore useful. "The informal economy is not a set of survival activities performed by destitute people on the margins of society." (Castells & Portes, 1989:12) Many studies have shown the sometimes relatively high level of income of informal entrepreneurs. Although some informal activities may come from the need of a person to find a job, this could also lead a worker to accept lower wages in the formal sector. "The informal economy is not a euphemism for poverty. It is a specific form of relationships of production, while poverty is an attribute linked to the process of distribution." "The informal economy is thus not an individual condition but a process of income generation characterized by one feature: it is unregulated by the institutions of society, in a legal and social environment in which similar activities are regulated." (Castells & Portes, 1989:12)

The concept is often used to describe insecure forms of economic activity. "Such activities may include self-employment or own-account work, employment in fragile micro-businesses or family-run activity, as well as employment where the employer fails to provide appropriate access to social protection of formal registration of any contractual relationship." (Henley, Arabsheibani & Carneiro, 2008:992) In the article of Gherzi (1997) informal employment means underground activities that are those activities that "have legal ends, but employ illicit means. That is to say, they are activities that do not intrinsically

have a criminal content, but must be carried out illicitly, even though they are licit and desirable activities for the country." (Gherzi, 1997:1)

1.2.2 Reasons for informality

It is important to know why people choose to be formally employed or to be informally employed. In other words, what are determining factors for the choice between formal and informal? Most literature refers to the direct influence of the effects of the net costs and benefits of informality relative to formality. From a firms' perspective the costs of being formal can be: (1) the costs of entering the formal sector, such as procedures, fees and bureaucratic requirements to start a business, and (2) the costs of staying formal, such as taxes, regulation and bureaucratic requirements. The costs of being informal can be: (1) the official penalties when the firm is caught by the government, and (2) restricted access to public goods, such as the law system and the police. From a workers perspective, the main costs of being formal are (1) taxes associated to formal labour contracts, (2) income taxes, (3) and social security contributions. Being informal, however, means that the worker (1) does not have access to the benefits predicted by the law, (2) is not protected by job security legislation, and (3) faces higher turnover rates. In reality it turns out that mainly the size of the entry costs of the formal sector is the most important determining factor of the choice between formal and informal employment. High entry costs are associated with higher informality, and as a result also with lower welfare and worse overall labour market performance (higher unemployment rates, higher formal-informal wage differentials, and lower average labour productivity). Therefore, the best approach to reduce informality is to adopt policies that diminish the costs of being formal and that makes entering the formal sector more attractive to both workers and firms. On the contrary, policies that simply increase the costs of being informal could be successful also, but may have some strong adverse effects for the labour market and welfare. Increasing the attractiveness of the formal sector by reducing entry costs is therefore more successful than increasing enforcement by increasing the costs of the informal sector (Ulyseas, 2010).

However, besides this direct influence of the effects of the net costs and benefits of informality relative to formality, there are also some more profound factors influencing the choice between being formally and informally employed. These have to do with different developments Latin America has been through the last couple of decades. Some literature refers to the context of import substitution and export-oriented development strategies. Policies of Import Substitution Industrialization (ISI) in the 1950-70s led to the concentration of industry in just one or two cities in each country. Together with a lack of prospects in the rural areas, the urban concentration of industrialization led to massive rural to urban migration. Although a large number of jobs was created in the cities, this was insufficient to provide formal employment for all people. Other profound reasons are (1) the relationship between globalization and informal employment through multinational firms seeking for subcontracting arrangements with foreign cheap businesses, what plays into the hands of informality, (2) the decline in public sector employment, (3) the increase in female supply of labour, (4) the growth of the service sector in which a large share of informal workers are employed, and (5) labour policies that overlooked the role of wages and working conditions (Galli & Kucera, 2004).

Bennet (2010) in his article on informal firms in developing countries, argues that being informally employed is often a stepping stone towards being formally employed. He distinguishes between two moments of choice. The first moment is starting a business, in which the entrepreneur has to decide whether his or her firm will enter the formal or the informal sector. This choice is often made based on uncertainty about profitability. Then given that entry has occurred, the second moment of choice is when the entrepreneur faces the choice, under conditions of certainty, between continuing with the same status or switching to the formal/informal status. He refers again to weighing the costs and benefits of being formal or informal. He argues that the relationship between these two moments is double-sided. Informality is often a stepping stone towards formality and without that stepping stone, formality might never be achieved. A firm first enters through the informal

sector in order to reach the formal sector in a later stage. However, sometimes, informality can also be a consolation prize for a firm, when a firm entered through the formal sector, but falls back into informality. However, the informal sector as a stepping stone is of greater significance than the informal sector as a consolation prize (Bennet, 2010).

Lay (2001) also emphasizes the importance of understanding the structural characteristics of urban labour markets in developing countries, since people in urban economies rely on market exchanges and, consequently, on cash income, and generate cash income almost exclusively on the labour market. Lay emphasizes the importance of the segmentation of the urban labour market for the choice between formality and informality. In developing countries a relative big group of underemployed and unemployed people exists. The formal sector is not able to manage and absorb all these people. These people end up in the informal sector and are not able to leave this sector. In other words labour markets in developing countries are segmented, which means that on the one hand the labour market consists of different segments, and on the other hand there is little mobility between these segments. Especially the limited mobility between segments is an important fact in urban labour markets in developing countries and a result of differential access to resources, such as education, training and capital. Equal educational opportunities are basic requirements for a smoothly working labour market (Lay, 2001). Besides the many above mentioned considerations people make to choose between being formally and informally employed, one should not forget the underlying importance of the structural characteristics of the urban labour market in developing countries.

Although the urban informal economy is often seen as something negative what needs to be eliminated, the above shows that informality is mainly something necessary and a rational response to the above mentioned negative aspects of informality influencing the choice between being formally or informally employed.

1.2.3 Characteristics of the informal economy

Thus, by the informal economy is meant insecure forms of economic activity arisen from the rational choice of people to be informally employed. But how does one recognize informal activities?

“The informal economy encompasses such a diversity of situations and activities that it represents a heterogeneous universe.” (Castells & Portes, 1989:25) In spite of the heterogeneity of the informal sector, there are some common characteristics. Many sources of literature go into detail about these characteristics. Tipple (2005) gives the most comprehensive overview of the characteristics of the informal economy as represented in current literature (Table 1.2). This overview is very important for the scope of this study, since many HBEs operate in the informal economy and the characterization of Tipple is used to analyze the organization of HBEs in the research area of this study.

Table 1.2: Characteristics of the informal economy

Characteristic	Comments
Range of activities	Few activities, spread across a wide spectrum. Retailing is dominant. A few in almost any conceivable activity, especially niche markets. Transport is often dominated by the informal sector.
Combination of different activities	Several activities in a single unit, simultaneously or by frequent change. Products are made and sold in the same place.
Size	Few workers, often without regular employees
Internal organization and employment relations	Flexible, casual, family run, unprotected workers, long working hours.
Invisibility	Informal relationships with suppliers, clients and the state. Few licenses or formal contracts, flexible hours, irregular contacts. Avoiding taxes, licence fees and standards.
Skills	Limited skills needed. Skills acquainted through informal contacts.
Income	Operators have low incomes
Investment and credit	Low initial capital, informal capital from family, friends, money lenders and other business interests. Limited access to formal credit. Limited technology may hamper efficiency and limit investment and improvement.
Consumption vs. production	Consumption and production not separated. Use of personal and domestic assets. Business expenditures, income, assets, and labour are linked to those of the household.

Adapted from: Tipple, 2005

The importance of the informal economy for low-income countries is now widely recognized. The informal economic sector has lots of advantages for the urban poor. It is a major source of employment and income generation, it is easy to enter, there is less or no need for paperwork, formal training, and initial capital, and it provides the local population with several goods which otherwise would not be accessible to them (Werna, 2001).

1.2.4 Vulnerability in the informal sector

Section 1.1.4 already showed specific difficulties and shortages that HBE operators sometimes have to deal with, which influence the continuity of their business. Many HBEs operate in the informal sector. This sector can be a stepping stone towards formality as already mentioned, but it is also a sector that in some cases is extremely vulnerable. Entrepreneurship in the informal sector often faces shortages and vulnerability. Literature mentions several shortages informal sector entrepreneurs are facing: (1) low quality of labour, since many workers do not have the adequate experience or knowledge, (2) precarious conditions, such as an inappropriate business location, lack of financial capital, little equipment of low quality, dependency on fluctuations of the American Dollar due to the import products, and (3) lack of capacity and skills concerning the accountancy, organization, planning and marketing of the business. Underlying these direct shortages interior in the informal enterprise are external aspects that make these enterprises as vulnerable and instable as they sometimes are. These external factors can be: (1) financial problems, since the financial situation of many informal sector entrepreneurs is insecure due to limited access to financial means and therefore many do not have a buffer for bad times, (2) low quality of input, since the market is in the hands of the ones that have money and the ones without are dependent on low quality input, (3) lack of access to adequate infrastructure, such as water, electricity, sewage system, and transport system, (4) difficulties with selling, since the market is extremely competitive and there are always concerns with selling enough to generate enough money, and (5) lack of alternative options for capacity building, since many do not have the opportunity to participate in trainings or workshops for financial reasons.

In spite of the vulnerability of the informal sector, the sector is a good opportunity for development in an economy where sufficient financial capital to install big formal enterprises does not exist. The informal sector therefore can be a good starting point for working (Cano Mejia, 1995).

1.2.5 Side-notes concerning the concept of informality

Although many people are employed in the informal economy, there can be made several side-notes concerning the use of the concept of informality.

Conceptually, and despite many critiques, thinking about the informal economy is characterized by dualism. Differentiation is made between formal and informal, legal and illegal, and modern and traditional. The informal sector is often characterized by easy entry; reliance on indigenous resources; family ownership or enterprises; small scale of production; labour-intensive and adapted technology; acquirement of skills outside formal school system; and unregulated and competitive markets. This as opposite to the formal sector, which is often characterized by difficult entry; frequent reliance on overseas resources; corporate ownership; large scale of operation; capital-intensive and imported technology; formally acquired skills; and protected markets (Bromley, 1978). However, dualistic thinking on the informal economy has several deficiencies, which are worth mentioning at this place. First, the division of the economy into two categories can be considered too simple. "A division into a larger number of categories would give each category considerable more internal coherence." (Bromley, 1978:1034) Second, the dualistic model is logically inconsistent "in that it is assumed that several different variables can be used to categorize a given economic activity into the formal or informal sectors, and yet no multivariate analysis procedure is used in classification." (Bromley, 1978:1034) Third, the division assumes that both sectors are separate and independent (Bromley, 1978). However, the contrary is real. Both sectors are highly interrelated and interconnected and this has only increased since earlier stages of informality (Benería, 2001). Fourth, due to the dual division it is often wrongly believed that a single policy can be applied to the whole informal sector. Fifth, there is an unjust tendency to only use the concept of informality for urban areas, while it is not possible to deny the existence of similar activities in the countryside. Sixth, there is a lack of clarity of what else exists except for the formal and informal sector. Seventh, the informal sector is often depicted as having a present and not a future. Eighth, there is a tendency to confuse neighbourhoods, households, people, and activities with enterprises, while the formal/informal division is less applicable to people. Ninth and last, there is an unjust tendency to confuse the urban informal sector with the urban poor. Not all persons who work in the informal sector are poor and not all poor people work in the informal sector (Bromley, 1978).

The foregoing argues that the concept of informality and the tendency to see it as the opposite of formality causes problems. However, there seems to be no other expression available in literature to describe the same issues. "In fact, it is because there is a formal economy (i.e., an institutional framework of economic activity) that we can speak of an 'informal' one. In an ideal market economy, with no regulation of any kind, the distinction between formal and informal would lose meaning since all activities would be performed in the manner we now call informal." (Castells & Portes, 1989:13)

1.3 Neighbourhood consolidation

As mentioned in section 1.1 another important aspect concerning HBEs is the relationship between HBEs and neighbourhood consolidation. Therefore this section elaborates on urbanization, the urbanization of poverty, informal settlements, and neighbourhood consolidation and transformation.

1.3.1 Urbanization matters

"In 2008, the world reaches an invisible but momentous milestone: For the first time in history, more than half its human population, 3.3 billion people, will be living in urban areas. By 2030, this is expected to swell to almost 5 billion. Many of the new urbanites will be poor. Their future, the future of cities in developing countries, the future of

humanity itself, it all depends very much on decisions made now in preparation for this growth." (UNFPA, 2007: 1)

With this message the United Nations Population Fund (UNFPA) began their annual report in 2007. Potter and others (2004) define urbanization as "the process which leads to a higher proportion of the total population of an area to live in towns and cities" (Potter et al, 2004: 375). There are three important elements which need to be mentioned with respect to urbanization. First, the total world population increased with more than 250% from 2.52 billion in 1950 to 6.46 billion in 2005 and will further increase to 8.2 billion in 2030. Second, this population growth mainly took place in cities, where the population in the same time period increased with more than 400% from 0.73 million in 1950 to 3.15 million in 2005, while the rural population increased with 184% from 1.79 million to 3.31 million. In the future, this population growth will exclusively take place in cities, since the absolute amount of rural population will decline. And third, the growth of the urban population does not happen equally all over the world. The biggest urban growth at the moment is taking place in Africa and Asia and to some extent Latin America. In 2030, in terms of urban dwellers Asia will rank first and Africa second. By that year fifty percent or more of the population of Asia and Africa will be living in cities (UNDESA, 2006).

This rapid urbanization of the past decades can in the first place be explained by economic growth. The degree of urban concentration increases with a nation's income level. However, urbanization cannot be explained solely by economic growth, since the fastest urbanizing countries are low and middle-income countries in Africa, Asia and Latin America. Massive rural to urban migration is a major cause of urbanization in these parts of the world (Yuki, 2007). People migrated to cities, because of big differences between rural and urban areas due to urban bias in policy making. In the past, there was a widespread existence of poverty, unemployment and deprivation in rural areas, while the life in cities was richer and better organized. Another important cause of urbanization in these parts of the world is natural increase. The demographic transition model of developing countries shows a decline in death rates from the early 1900s onwards, due to enhanced medical facilities, while the birth rates stayed the same or even increased a bit for a while. The difference between birth and death rates was even higher in cities, where people were in general healthier, because of better medical health care than in rural areas, due to urban bias in policy (Potter et al., 2004).

1.3.2 Urbanization of poverty and informal settlements

The rapid urbanization entails several problems in developing countries. One of the most visible and poignant problems is the urbanization of poverty. Until recently rural areas were the epicentre of poverty. Rural poverty was considered to be deeper and wider. However, due to urban growth, the locus of poverty shifts to cities. Cities can have big potential for improving people's lives, but due to urban mismanagement this is often not the case in many developing countries (UNFPA, 2007).

The rapid pace of urbanization in developing countries of the past decades puts high pressure on space, since people need to live somewhere. Because of the failure of urban policies to provide these people with housing, an important shelter strategy of households is to provide themselves with

Box 1.1: Household shelter strategies

Van Lindert and Van Westen (1991) define household shelter strategies as the total of goal oriented behaviour by households in order to gain access to the housing market and/or to improve the quality of housing circumstances. According to this definition there are two forms of strategies in two moments of time. First, a household tries get access to the urban housing market for the first time, by either leaving the house of the parents or rural to urban migration. Second, a household tries to improve housing circumstances, by either moving to another house or consolidating the house they already have (Van Lindert & Van Westen, 1991). Bähr gives six possibilities for households to gain access to the urban housing market. When a household has sufficient financial possibilities, there are four strategies. First, buying a house; second, renting a house; third, laying claim to government housing projects; and fourth, sublet at a housing owner. When there are no sufficient financial possibilities, there are two household shelter strategies. First, living with family or other relatives who already own a house; and second, land invasion and the formation of an informal settlement (Kranenburg, 2002).

housing in so called informal settlements (see text box 1.1 for other household shelter strategies). Government strategies to provide people with formal housing are not adequate, since the total amount of houses which can be built by these projects is not sufficient for the amount of people searching for housing, and often the houses the government builds in these projects are too expensive for many people. As a result people invade land and start to live in informal settlements, because other possibilities in gaining access to the urban housing market are not available (UN-HABITAT, 2003).

In literature these neighbourhoods have different names, such as slums, shantytowns, informal settlements and squatter settlements. Regardless of the name, what these neighbourhoods characterize is "a group of individuals living under the same roof in an urban area who lack one or more of the following: durable housing, sufficient living area, access to improved water, access to sanitation and secure tenure" (UNFPA, 2007:16). In other words, informal settlements have the following characteristics: lack of basic services, inadequate building structures on poor locations, overcrowding and high population density, insecure tenure, unhealthy living conditions, and poverty and social exclusion as a result of this (UN-HABITAT, 2003).

These settlements have long been seen as illegal and unavoidable and government policies concerning these settlements were characterized by eviction of informal settlements. However, when it turned out that that economic growth was not automatically integrating informal settlements into the city's environment, governments acknowledged that there was a need to do something, accompanied by international attention of the Habitat Agenda and the Istanbul Declaration on Human Settlements in 1996 (Kothari, 2001; UN-HABITAT, 2003). Many governments in developing countries started neighbourhood upgrading projects to improve these informal settlements, which resulted in processes of consolidation and transformation of many neighbourhoods in cities in developing countries (Kranenburg, 2002)

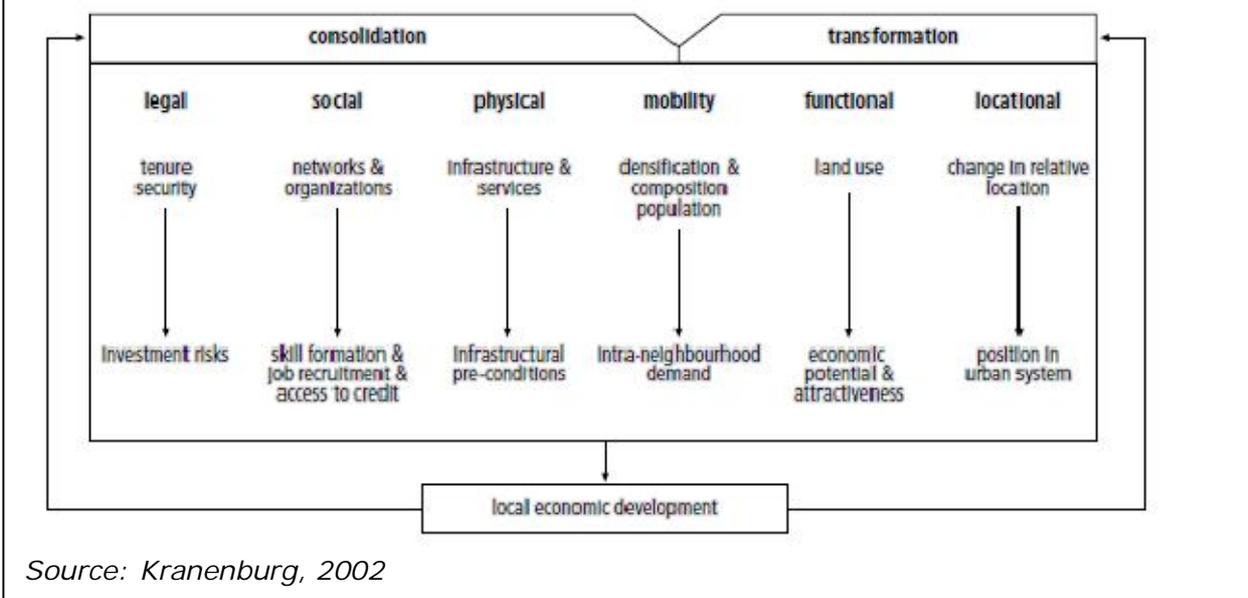
1.3.3 Neighbourhood consolidation and urban transformation

Informal settlements are characterized by a lack of basic services, a lack of infrastructure, and other negative aspects. Consolidation is the process to overcome these negative characteristics. According to Kranenburg (2002) consolidation consists of three aspects: (1) an increase of the tenure security of residents of a neighbourhood, (2) an increase in the level of basic services and infrastructure and an improvement of the houses themselves, and (3) the formation and expansion of social networks and organizations within the neighbourhood. This process of consolidation is accompanied by a process of transformation, which consists of: (1) a change in relative location of the neighbourhood, and (2) a change in economic land use of the neighbourhood (Kranenburg, 2002). Kranenburg made a schematic reproduction of these two processes (Figure 1.1).

The model of figure 1.1 introduces the concept of Local Economic Development (LED) (section 1.4 deals with LED more in detail) and describes the influence of the two processes of consolidation and transformation through six types of changes (legal, social, physical-spatial, mobility, functional and location) on Local Economic Development. LED on its turn determines to a great extent the degree of consolidation and transformation (Kranenburg, 2002).

Neighbourhood consolidation starts with a facilitating government providing infrastructure and basic services, and regulating tenure security. Many studies prove that house owners effectively improve or expand their houses when by means of neighbourhood upgrading projects the level of basic services and infrastructure increases, and they receive property rights. Of great importance to residents is the knowledge that they can stay in their houses. Due to the received property rights and the access to at least basic services they are more willing to invest in their neighbourhood. Part of the consolidation process is also the increase of the socio-economic level of the residents (Kranenburg, 2002).

Figure 1.1: The effects of consolidation and transformation on Local Economic Development



The consolidation process is accompanied by a process of urban transformation. Because the residents have access to basic services and feel secure concerning tenure, the neighbourhood becomes economically more attractive. This means that a process of mobility is coming into existence, whereby the neighbourhood becomes more densely populated and the population composition of the neighbourhood changes. This results in an increasing local demand for products and services. At that point the neighbourhood becomes economically attractive for entrepreneurs, because money can be made. This also results in employment for the local population. As a result of a still growing city, the relative location of the neighbourhood changes. A neighbourhood becomes located relatively closer to the city centre, or even becomes the city centre. This again results in an increasing economic attractiveness of the neighbourhood (Kranenburg, 2002).

During the process of neighbourhood consolidation and transformation land prices increase as a result of scarcity of urban land, improved opening up of the neighbourhood, and the creation of local employment. Increasing land prices can have positive effects for the residents, since their piece of land has a higher value than in the beginning, which could generate a lot of money when selling the house and the land. However, the increasing land prices often make plots too expensive to exclusively use them for residential goals and force households to generate money with the house. This enables entrepreneurship in such a neighbourhood. Since many residents made a lot of investments and improvements in their house, it is often not attractive to sell the house, but more attractive to keep living in the house and start a business or rent out a part of the house for others to live or work. This enables foreign entrepreneurs attracted by the location and the economic potential of the neighbourhood to come to the neighbourhood and start a business (Kranenburg, 2002).

The two processes of consolidation and transformation affect LED, which in its turn affects to a great extent the degree of consolidation and transformation. Therefore the next section elaborates on LED.

1.4 Local Economic Development

“Cities, towns, counties, and all local entities in a global economy have the challenge and opportunity of crafting their own economic destinies.” (Blakely & Green Leigh, 2010:1)

Over the past two decades, Local Economic Development (LED) has gained major importance as a policy issue in many developed countries. Increasingly, the potential for LED is also acknowledged in the developing world. LED is often considered a slippery concept which is sometimes difficult to define. Nevertheless, there is a growing consensus that the core of LED includes initiatives to promote growing local economies as well as to address poverty alleviation (Rogerson, 1999).

This section deals with defining LED, the four dimensions of LED, LED strategies, and tools for employment creation and business development.

1.4.1 Defining LED

The traditional and mostly used definition of economic development is that of wealth creation or economic growth. However economic growth does not automatically equal economic development. It is only integral to the concept of economic development. A single focus on economic growth can result in growing economic inequalities, which reflect a failure in economic development leadership. Blakely and Green Leigh (2010) offer a three-part definition of local economic development.¹

“Local economic development is achieved when a community’s standard of living can be preserved and increased through a process of human and physical development that is based on principles of equity and sustainability.” (Blakely & Green Leigh, 2010:75)

There are three essential elements in this definition: (1) economic development establishes a minimum standard of living for all (which translates not just into job creation, but job creation that provides living wages that are high enough to get individuals and families out of poverty) and increases the standard over time, (2) economic development reduces inequality between demographic groups (age, gender, race, and ethnicity) as well as spatially defined groups (indigenous population versus in-migrants, or old-timers versus newcomers) in such a way that every group benefits from economic growth, and (3) economic development promotes and encourages sustainable resource use and production in order to prevent inequality between present and future generations (Blakely & Green Leigh, 2010).

Local economic development can be seen as a means or as a strategy to achieve four major goals: (1) to provide quality jobs for the current population, (2) to achieve local economic stability, (3) to build a diverse economic and employment base, and (4) to promote local sustainability.

1.4.2 LED in a developing context: four dimensions of LED

Rodríguez-Pose and Tijmstra (2007) argue that LED strategies know four important dimensions: the territorial dimension, the governance dimension, the integrated dimension, and the sustainability dimension.

¹ NB. Blakely and Green Leigh (2010) are mainly USA focussed. Their approach to LED cannot be copied one on one to developing countries, but some elements are extremely useful for the developing context. Especially their three part definition of LED, which is not only based on economic growth, but also includes elements like poverty, equity, and sustainability can be used to approach LED in developing countries. For this section there has been made careful use of applicable elements in their approach in combination with theories of authors more specifically writing on developing countries.

The territorial dimension

"LED strategies differ fundamentally from most traditional development strategies in that they approach development as a territorial rather than a sector problem." (Rodríguez-Pose & Tijmstra, 2007:524) Increasing processes of decentralisation of power and resources to lower levels of government increases the importance of locally based development policies. The local approach of LED strategies concerning development and poverty alleviation has one major advantage since it can generate economic efficiency due to the ability of being more responsive to local needs and preferences. Local governments are in general more suited to this task than governments at larger geographical scales, since they have better access to local information and can more easily cooperate with local stakeholders (Rodríguez-Pose & Tijmstra, 2007).

The governance dimension

"There has been a growing awareness that the quality of governance has an important impact on the ability of governments to design and implement successful development strategies." (Rodríguez-Pose & Tijmstra, 2007:525) The increased focus on the region or locality as the locus for development has increased the need for good governance at all levels of government. Traditional development strategies relied on the skills and capabilities of central governments, but the success of LED strategies depends to a large extent on skills and capabilities at all government levels. Good governance involves horizontal cooperation between local stakeholders and the local government, and between different local or regional governments, as well as horizontal and vertical coordination between local, regional, national and supranational or international institutions (Rodríguez-Pose & Tijmstra, 2007).

The integrated dimension

If growth generated in one locality or region would eventually trickle down to benefit all regions in the country, there would be no need for a local approach. However, in reality this is often not the case. Geographical trickle-down effects rarely occur and are often outweighed by backwash effects. The LED approach seeks to address this problem by encouraging local governments to work together with local stakeholders and outside experts (Rodríguez-Pose & Tijmstra, 2007).

The sustainability dimension

In the 1970s and 1980s environmental protection and economic development were often seen as two conflicting goals. However, with the introduction of the concept of sustainable development and the rapid embracement of this concept by international organizations and national, regional, and local governments, there is an increasing recognition that both goals should be integrated to be successful. Pursuing economic growth should involve environmental objectives as well as social goals, such as the fairness of distribution of economic and environmental gains and losses. Especially in developing countries urbanization has resulted in increasingly localized problems of poverty, social exclusion, and environmental degradation, which could be addressed by the multidimensionality of sustainability. LED strategies are particularly well placed to address these issues by taking into account the current situation within the locality and the social and environmental consequences of different policy options (Rodríguez-Pose & Tijmstra, 2007). The idea of Sustainable Local Economic Development (SLED) is "ensuring that economic development, whatever its focus, is not seen as an end in itself, but as a means to the end of sustainable improvements of quality of life." "Adopting such a course has the potential to create jobs, promote social inclusion, improve the strength, health and capacity of local communities and improve the environment." (Newby, 1998:68)

1.4.3 LED strategies

The foregoing shows that LED, and its goals and objectives, is a mixture of different aspects. However, strategies concerning LED too often highlight only one single aspect without interaction with other components. To enhance LED at institutional level there is need for a comprehensive and holistic strategy, which involves all components of LED. Blakely & Green Leigh (2010) argue that such a complete strategy consists of four strategic approaches: (1) locality development, (2) business development, (3) human resources development, and (4) community-based development (Blakely & Green Leigh, 2010).

First, locality development is focused on the ownership, regulation, and management of land and the buildings placed upon it, since these are the sites on which economic activity occurs. An important aspect in this is accessibility, since the key issue is the ease and time required to access them. Locality development should be 'green' by focussing on minimizing environmental impacts of land development and building construction to respond to growing concerns about climate change and desires to create greater sustainability. Important components are 'smart growth' (anti-sprawl and reuse of existing urban space) and liveability (Blakely & Green Leigh, 2010).

Second, business development "is an essential component of local economic development planning because the creation, attraction, and retention of business activities builds and maintains a healthy local economy." "No matter how poor a local economy appears to be, however, it still has economic potential internally and opportunities to reach larger external markets." (Blakely & Green Leigh, 2010: 265) Local business development strategies can have one or more of four basic dimensions: to encourage new business start-ups, to attract new firms to the area, to sustain and expand existing businesses in the area, and to increase innovation and entrepreneurship within the community (Blakely & Green Leigh, 2010).

Third, human resources development forges "close connections between the employment needs of certain segments of the local population and the job-formation process. The goal is to alter the human resource system in ways that increase opportunities for good jobs for the unemployed and underemployed in the community." (Blakely & Green Leigh, 2010:219)

Fourth, community-based development is a strategy to promote economic development at the neighbourhood or small-community level. Community development focuses on a broad range of development issues that include housing, business and job development, health and safety, child development, education and other public services. In reality all four mentioned strategies can be undertaken as community development initiatives (Blakely & Green Leigh, 2010).

1.4.4 Tools for employment creation and business development

In the scope of this study on home-based enterprises, LED strategies concerning employment creation and business development are the most important. Since Blakely & Green Leigh have a strong USA focus, this section elaborates on tools for employment creation and business development from a development perspective provided by Rogerson (1999).

For the poor their greatest asset is their capacity for labour. Policy towards employment creation and business development therefore can contribute to a great extent to poverty alleviation in developing countries. "The key area for policy consideration relates to the activities of the survivalist informal economy, including a range of home-based enterprises, and of micro-enterprises." (Rogerson, 1999:517) Rogerson (1999) distinguishes between direct and indirect policy interventions concerning employment creation and business development.

Direct support entails direct intervention that can include (1) measures to improve the built environment for micro-enterprise activities, such as "the facilitation of small business hives, incubators or nurseries, or making available premises for use as local business information, support or advice centres" (Rogerson, 1999:517), (2) providing access to formal markets, (3) resourcing and assistance to business support agencies, and (4) public

procurement programmes “to target and assist labour-intensive forms of production with major employment creation spin offs” (Rogerson, 1999:517).

Indirect support entails providing a facilitative environment by adopting more supporting interventions that can include (1) development of a local information base, (2) facilitation of periodic markets, (3) assistance for development of appropriate training, (4) extending business linkages between formal enterprises and growing micro-enterprises, and (5) “the establishment of local technology centres or the promotion of access to existing technology centres that allow micro-entrepreneurs to enhance their technologies, to innovate new products or to enhance product qualities” (Rogerson, 1999:517-518).

Thus, tools for employment creation and business development in order to enhance LED can include direct interventions as well as an indirect supporting and facilitating policy framework. However, the weakness and lack of capacity of many local governments in developing countries is often a restriction for maximizing entrepreneurship and the prospects of job creation in the informal and micro-enterprise economy (Rogerson, 1999).

1.5 Conceptual model

Based on the concepts found in the literature and the assumed relationships between the concepts, the following conceptual model shows a schematic reproduction of these relationships (Figure 1.2).

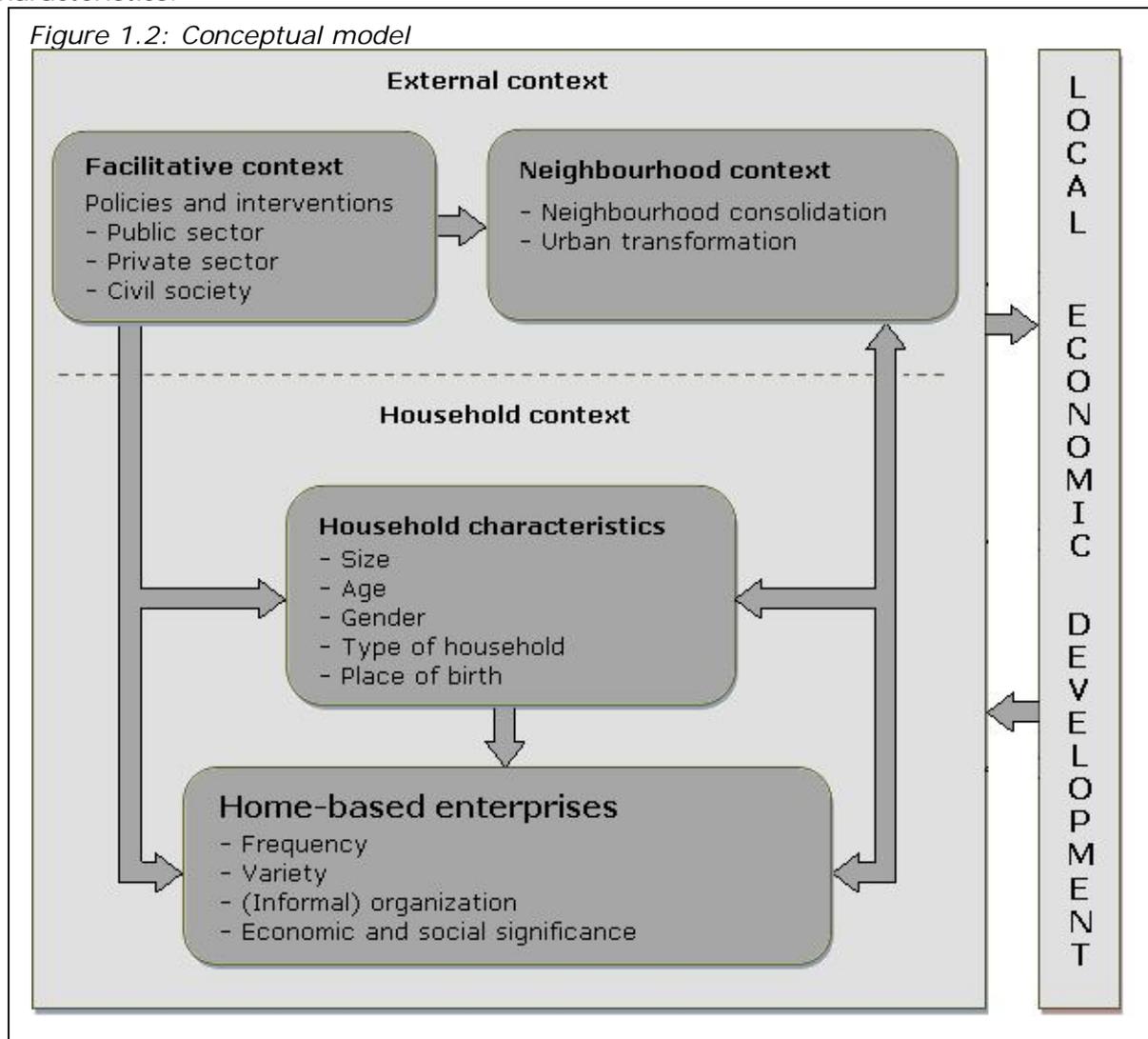
Central in this study are home-based enterprises. In literature we have seen that a wide variety of HBEs can be found in cities in developing countries. HBEs tend to be spread across a wide spectrum of industries. However some activities are more likely to be home-based than others. HBEs tend to be small concerning the amount of workers, rely for a great degree on the household as the main provider of labour, rely on informal acquisition of skills, and require some financial capital. The type of enterprise people perform, the way they organize this enterprise and what it means to them economically and socially depends to a great extent on household characteristics, such as the size of the household, the age and gender of the members, the type of household and the place of birth of the members. Bigger households could for example be more successful in operating their HBE, since many hands make light work.

The household and its HBE are influenced by factors external to the household context. On the one hand they are influenced by the neighbourhood context. In literature a strong relationship is found between neighbourhood consolidation and the frequency of HBEs. A consolidated neighbourhood in terms of tenure security, access to basic services and infrastructure, and a higher socio-economic level makes a neighbourhood economically more attractive for investments and entrepreneurship. Neighbourhood consolidation is therefore a precondition for entrepreneurship. Neighbourhood consolidation is accompanied by a process of urban transformation in which an economically more attractive neighbourhood undergoes changes in the functional use of land and economic activity. The household and the HBEs on their turn also influence the neighbourhood context, since they are part of it.

On the other hand households and their HBEs are affected by a facilitative context of policies and interventions. Through tools for employment creation and business development, a favourable climate for HBEs can be created in which HBE operators are supported and trained. This can be done by the public sector, involving local governments and ministries, by the private sector, and by the civil society, such as NGOs. The framework of policies and interventions of course influences the neighbourhood context as well, since it can have a great impact on neighbourhood consolidation and urban transformation.

The whole picture of neighbourhood consolidation, neighbourhood transformation, the increasing economic attractiveness of the neighbourhood and the resulting increase of economic activity has a positive influence on Local Economic Development, since it can increase the standard of living in a neighbourhood. On the other hand LED also influences the whole framework, since achieving LED has on itself a positive influence on the economic

attractiveness of the neighbourhood and its level of consolidation and socio-economic characteristics.



1.6 Research questions

Based on the thematic and theoretical perspectives and the above conceptual model, the main research question of this study reads:

What are the characteristics of home-based entrepreneurship in the Zona 16 de Julio in El Alto and what is the economic and social significance of these home-based enterprises for the quality of life of the households realizing them?

In order to answer this research question four sub questions have been drawn up.

The first sub question refers to neighbourhood consolidation and urban transformation in the Zona 16 de Julio and reads: *To what extent are the processes of neighbourhood consolidation and urban transformation reflected in the demographic, socio-economic, and residential characteristics of the Zona 16 de Julio and in what ways did the functional use of land as well as economic activity change in the Zona 16 de Julio?*

The second sub question refers to the frequency, the type and the organization of HBEs undertaken in the research area. This question reads: *What is the frequency and variety of*

home-based enterprises undertaken in the Zona 16 de Julio and in what ways do households organize their home-based enterprises?

The third sub question refers to the economic as well as social importance of the HBE for the households performing the activity and reads: *What is the economic and social significance of home-based enterprises for the quality of life of the households performing them in the Zona 16 de Julio?*

The fourth sub question refers to what can be done by means of tools and strategies in order to support HBEs and enhance LED. This question reads: *To what extent does the framework of policies and interventions implemented by the government, the private sector and civil society support Local Economic Development and affect the possibilities of households to carry out home-based enterprises?*

1.7 Operationalization of concepts

Based on the above mentioned concepts and relationships between concepts an operationalization of concepts has been made in order to measure the different aspects (Appendix 1).

1.8 Methodology

The research area of this study is the Zona 16 de Julio in the city of El Alto in Bolivia, which exists of three neighbourhoods and is called after the most important one of the three. The Zona is the focus of a longitudinal research started in 1982, started to analyse the development and consolidation processes of the three neighbourhoods by realizing a big survey amongst households living in a specific selection of plots. Every five years the same survey is realized in the same selection of plots (not automatically the same households) in order to update the data.

This study is part of the longitudinal research, but has its own focus. The big survey is realized again, but extended with questions related to the topic of the present study. Besides, there have been done interviews and observations concerning the topic of the present study.

A comprehensive elaboration on the methodology of this study can be found in Appendix 2.

1.9 Expectations

Based on theories and relationships found in literature, there are some preliminary expectations concerning each sub question, described in this section.

To what extent are the processes of neighbourhood consolidation and urban transformation reflected in the demographic, socio-economic, and residential characteristics of the Zona 16 de Julio and in what ways did the functional use of land as well as economic activity change in the Zona 16 de Julio?

It is expected that based on current data as well as past data the Zona 16 de Julio shows important aspects of neighbourhood consolidation in terms of a higher socio-economic level of the residents, improved access to basic services, and improved living circumstances with respect to building materials and available space. Therefore it is expected that more land is used for economic activity, due to the increasing economic attractiveness of the neighbourhood. Economic activity in the Zona 16 de Julio takes place in all economic sectors, since the Zona is the economic heart of the city of El Alto, due to urban sprawl and

a changed relative location of the Zona. However, economic activity will be strongly clustered concerning different sectors as well as specific activities. Most economic activity takes place in the central part of the Zona, the market area, and the main streets, since land prices are the highest in those parts. That area is characterized by mixed land use and the highest density of economic activity. More distant parts of the research can be characterized by mainly a residential function.

What is the frequency and variety of home-based enterprises undertaken in the Zona 16 de Julio and in what ways do households organize their home-based enterprises?

It is expected that the majority of households are realizing any form of HBE, of which most activities will be in the sector of commerce. Especially *tiendas de barrio*, small grocery stores, are a quite popular HBE. HBEs are small, mainly ran by women, depend for a great degree on the household as provider of labour, and depend on informal sources for skill acquisition. Investments are low and mainly based on own savings. However, micro credits will be a popular form of loan. The house is the most important business location for HBEs, for which most households make use of a separate room for the HBE. Many HBEs are not registered and operate in the informal circuit.

What is the economic and social significance of home-based enterprises for the quality of life of the households performing them in the Zona 16 de Julio?

It is expected that HBEs are of great economic importance to most households, since they provide the household with income. Some households are quite dependent on this income since income generated by the HBE is their only source of income. Other households combine the HBE income with other incomes.

Besides the economic importance of the HBE, HBEs also have a social significance. A HBE is not only an economic activity, but also a social activity, which has a positive influence on the contacts in the neighbourhood and the social position of the household in the neighbourhood.

To what extent does the framework of policies and interventions implemented by the government, the private sector and NGOs support Local Economic Development and affect the possibilities of households to carry out home-based enterprises?

It is expected that the public sector, the private sector as well as NGOs have different policies concerning supporting LED and HBEs, mainly focussed on creating a good business climate and supporting households by providing training and education.

1.10 Summary

Home-based enterprises are a common phenomenon in cities in developing countries, but very context dependent. A home-based enterprise (HBE) can be defined as an economic activity which occurs in or very close to the home. HBEs are strongly connected to two aspects: neighbourhood consolidation and urban transformation on the one hand, and informality on the other hand. The processes of neighbourhood consolidation and urban transformation in which the government provides the residents with basic services, the residents improve their houses, and the neighbourhood obtains a more central location due to urban sprawl, are requirements for entrepreneurship. HBEs often reflect characteristics of informality in terms of the range of activities, the combination of different activities, the size of the business, the internal organization and employment relations, registration, skills, investments and credits, and the separation of consumption and production. An important result of neighbourhood consolidation and entrepreneurship is Local Economic Development (LED), which in its turn influences entrepreneurship as well. LED can be stimulated in different ways in which employment creation and business development is one of the most important strategies in the scope of this study.

This study investigates *the characteristics of home-based entrepreneurship in the Zona 16 de Julio in El Alto and the economic and social significance of these home-based*

enterprises for the quality of life of the households realizing them, by means of neighbourhood mapping, a survey and in-depth interviews.

2 The setting: Introduction to Bolivia and the city of El Alto

Now that it is clear what the study is about and on what theories it is based, this chapter introduces Bolivia and the city of El Alto.

The first section deals with some general characteristics of the country of Bolivia, such as geographical characteristics, population, culture, poverty, unemployment, informality, sub employment, labour market segregation, and politics. The second section introduces the city of El Alto in which this research is carried out and deals with aspects such as the history of occupation and growth of the city, neighbourhood consolidation, current differences within the city, and home-based entrepreneurship in El Alto. The third section deals with the facilitating context with respect to policies and interventions for business development on national as well as local level and answers the sub research question: *To what extent does the framework of policies and interventions implemented by the government, the private sector and civil society support Local Economic Development and affect the possibilities of households to carry out home-based enterprises?*

The chapter is not only based on existing literature, but also makes use of background information collected in several interviews held with institutions and organizations.

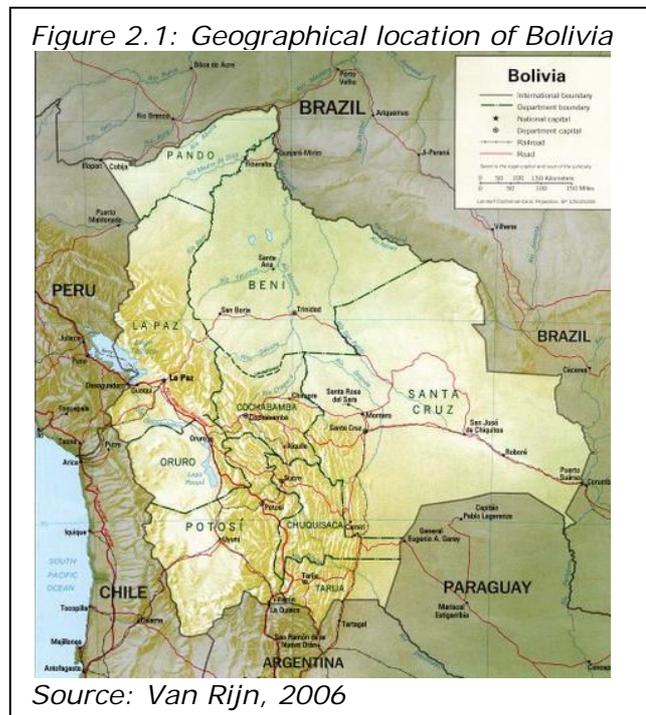
2.1 Introduction to Bolivia

2.1.1 Geographical characteristics

Bolivia is situated in South America and borders on Brazil, Peru, Chile, Argentina and Paraguay (Figure 2.1). Geographically the country can be divided into three zones. The southwest of the country is the Andes region and can be characterized by high mountain slopes and a cold climate. The northeast of the country is the Amazon region and can be characterized by a tropical climate. In between the two regions is a zone with valleys located (Van Rijn, 2006).

One of the most striking geographical characteristics is the fact that Bolivia is a landlocked country. Bolivia once had a connection with the Pacific Ocean, but had lost this connection during the Pacific War from 1879 to 1884. This war was theoretically about the natural resource base of the Atacama Desert in the northern part of Chile. However, in reality the war was more about access to the ocean and in this sense Bolivia can be approached as loser of the war. It does not need any further explanation why access to an ocean might be important for a country, but the effects of this loss, both emotional and practical, are still of big importance to Bolivia (Krijnen, 2006).

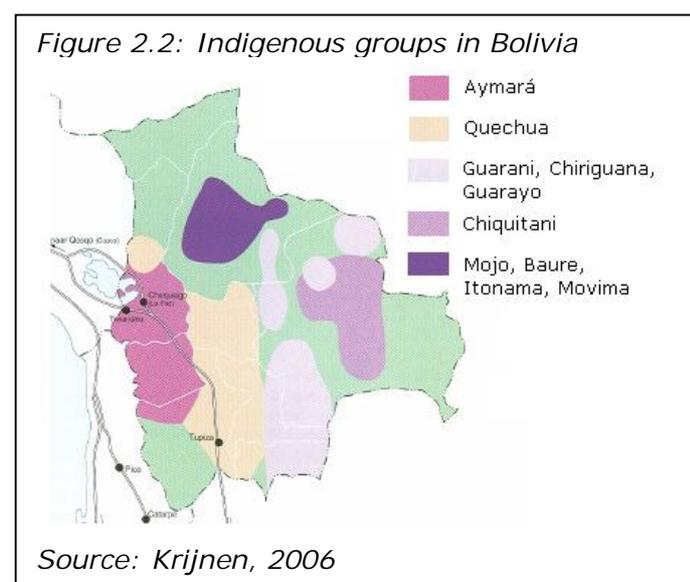
Just like other countries in Latin America, Bolivia knows a process of rapid urbanization. About 66% of the population in Bolivia is living in cities (UNDP, 2009). The biggest city is Santa Cruz, followed by La Paz (the political capital), El Alto and Cochabamba. While Sucre



is the official capital city of Bolivia it does not exist in the list with biggest four cities of the country (Krijnen, 2006).

2.1.2 Population and Aymara culture

In July 2009 the Central Intelligence Agency (CIA) estimated that Bolivia counted almost 8.9 million inhabitants (CIA, 2010). Bolivia is known as one of the three countries in Latin America (next to Peru and Guatemala) of which the largest segment of the population is composed of pure indigenous people (Krijnen, 2006). The mestizos (mix of indigenous and Spanish people), the Europeans and other non-indigenous ethnic groups together count for around 35% of the population. The other 65% of the Bolivian population is formed by indigenous groups (CIA, 2010).



There are several indigenous groups living in Bolivia. The biggest groups are the Aymara and the Quechua. Other groups are the Guarani, Chiriguana, Guarayo, Chiquitano, Mojo, Baure, Itonama, and Movima. They live in different parts of the country (Figure 2.2).

Since the majority of the population in El Alto, in which this study is conducted, is Aymara, on this place the Aymara culture is shortly discussed. There are 2.5 million Aymara, living in the area surrounding the Titicaca Lake in the countries Peru, Chile and Bolivia. The majority of them, about 1.5 million, lives in Bolivia, which makes 25% of the Bolivian population Aymara. Many of them migrated in the

1960s to urban areas, of which El Alto was by far the most popular destination. Nowadays, 85% of the population in El Alto is Aymara, which makes El Alto the 'Aymara capital' of the world (Krijnen, 2006).

The Aymara cosmology is very holistic. Although a lot of cultural aspects of this cosmology lost their value through time, there is one concept that still seems to be important in urban daily life, that is the concept of *Vivir Bien*, which means 'a good living together'. The Aymara approach themselves and all other things as children of Mother Earth. Every human being is therefore brother or sister of every animal and plant and is not allowed to dominate nature, but needs to live in harmony with nature. The Aymara have lived for ages according to the standards of *Vivir Bien*. Although, not only the Spanish domination, but also rural-to-urban migration forced the Aymara to integrate their concept of *Vivir Bien* with 'modern' lifestyles, many still feel themselves connected with family members, friends, and former neighbours in the rural areas and hold on to their traditional way of living (Van Rijn, 2010).

2.1.3 Poverty, unemployment, and labour market segregation

Maybe Bolivia is known best as one of the poorest countries in South America. The Gross Domestic Product (GDP) (Power Purchasing Parity) of 2009 was \$4,600 per capita (CIA, 2010). In 2009 it ranked 113 (of the 182 countries) in the Human Development Index (HDI) of the United Nations (UN). In Latin America only Guyana, Guatemala, and Nicaragua had a lower score on the HDI (UNDP, 2009).

Maybe of more importance to Bolivia is the income distribution of the country. In 2007 the richest ten percent of the population earned together 44.1% of the national income, while the poorest ten percent of the population together only earned 0.5% (UNDP, 2009).

All this means that poverty is the most serious and urgent problem to resolve in the country. Seventy percent of the national population lives below the poverty line, which is even worse in rural areas, where ninety percent of the population lives below the poverty line. The problem of poverty in Bolivia can partly be explained by the dependency of the Bolivian economy on the export of primary products, creating a pattern in which the increase of the labour force transcends the absorption capacity of the economy. This leads to three big socio-economic problems Bolivia is facing: unemployment, sub employment and a segregated labour market.

Concerning the first problem, Bolivia is facing a formal unemployment rate of about ten percent. Current unemployment in Bolivia has its main roots in neo liberalism and the resulting rural to urban migration. The almost 25 years of neo liberal policies have not done that much good to the country. Neo liberalism in Bolivia was characterized by a withdrawal of the state as the main provider of labour. The private sector took over this position, but did not give much attention to social aspects. Many people lost their jobs or had temporary jobs. Neo liberalism and the resulting unemployment in the rural areas led to massive rural to urban migration, what worsened the already ongoing problems in the city. Many mine workers lost their jobs due to the withdrawal of the state and migrated to the city in order to find employment. However, in the city the problems were as bad as in the countryside. There were too many people for too few jobs. So neo liberalism and the resulting rural to urban migration led to unemployment and more precarious labour conditions, especially in the cities, while the state was deducting their hands and the private sector became the main provider of labour. This trend has not changed so far. Bolivia now is in a turning point to overcome the damage of the neoliberal policies.²

These processes of neo liberalism, rural to urban migration and employment led to the increase of an urban informal sector. There were too many people for the available amount of jobs, which made it hard to find a job. Especially for people coming from the countryside. They did not have any experience with having an urban job. Especially in the city of El Alto this was the case, since this city was the most popular destination for people coming from the rural areas. People that could not find a job dedicated themselves to working in the informal sector, either as informal employee or by being self-employed.³ Urban employment in Bolivia is mainly generated by the informal sector, including mainly micro and small enterprises (Berthoud & Milligan, 1995). These micro and small enterprises represent 95% of the total amount of enterprises in the country and provide labour for 65% of the working population of the country. This is an important group of people, but this was not always recognized in the country. In the beginning of the eighties micro enterprises were considered as illegal and part of an underground economy. In the second half of the eighties and in the nineties this vision changed. Micro enterprises in Bolivia were no longer seen as illegal, but seen as something positive, an important and cheap source of employment, and an important means for survival. In the beginning of the current millennium the vision on micro enterprises underwent another change. Micro enterprises are no longer seen as only a means for survival, but also as important active agents that contribute to the generation of richness and economic growth. In spite of the importance of micro enterprises for the Bolivian economy, they have a low productivity, workers have little educational skills and little capacity, and their access to the market and to services is often limited. However, big differences exist between micro enterprises in Bolivia. A big proportion of the micro enterprises dedicated their work to commerce and service related activities for survival and produce for or sell to the local market. But on the other hand, there is a certain amount of micro enterprises that produces for the national market and are quite successful. Besides, there is a small amount of micro enterprises that are that successful that they export their products and generate more money.

² Interview CEDLA & Interview Viceministerio de Micro y Pequeña Empresa

³ Interview Viceministerio de Micro y Pequeña Empresa

Characteristics of micro enterprises in Bolivia are:

- They are managed by their owners and have a maximum of ten workers
- The value of their annual sales does not exceed \$US 15,000
- The value of their assets does not exceed \$US 3,000
- The finances of the households and the enterprise are not separated
- A high percentage of the owners are women (60%)
- They limited access to formal finances and non financial services
- Their technical and management capacity is limited (Ministerio de Trabajo y Microempresa, 2000)

Micro enterprises thus contribute to a great extent to the generation of employment in Bolivia and are a great solution to the problem of unemployment. Micro enterprises in Bolivia are mainly practiced in the sector of commerce, second in the sector of services, and third in the sector of manufacturing. Most workers in micro enterprises are relatively young. About 85% of the micro enterprises in Bolivia has one to four workers. This is even more in the sector of commerce (96%). Many micro enterprises (about 68%) are family enterprises and this results in the fact that many workers do not have a formal contract and labour is sometimes quite insecure (Larrazábal Córdova & Montaña Hernández, 2002).

This leads to the second socio-economic problem Bolivia is facing, the problem of sub employment. By sub employment is meant the quality of the labour. About sixty percent of the population is sub employed. There are three indicators to measure sub employment; stability of labour, salaries, and social protection. In terms of stability of labour, some fifty percent of the working population has an instable job, such as a temporary job or a job without set working hours. This problem is caused by the demand side of labour, since they contract persons according to their needs. That is how the labour market functions. In terms of salaries, Bolivia is facing the lowest salaries of the Latin-American region. Low in terms of minimum salary and low in terms of average salary. In practice this means that sixty percent of the population has an income lower than the costs of their daily food. Costs of food on average are 1,300 Bolivianos per month, while total household costs are about 3,500 Bolivianos per month. About sixty percent of the population has an income of which they cannot even buy their food. In terms of social protection, only 38% of the working population is adopted in the system of social protection. In Bolivia this system is private and there are not many people that are able to enter this system with their low salaries.⁴

Neo liberalism, rural to urban migration, unemployment, the growing employment in the informal sector, and the increasing sub employment result in a labour market that is segmented. The Centro de Estudios para el Desarrollo Laboral y Agrario (CEDLA) distinguishes five segments. First, the public sector, in which people work that work for the government, or in the education or health sector. Second, the business sector, in which all employees are paid and separated from the means of production, and in which the owner only administrates and not participates directly in the work. Third, the semi-business sector, in which the owner is one worker more and participates directly in the productive process besides administrating. Fourth, the family sector, in which the owner of a business is involved in the productive process, by himself or with the help of the family, but without paid labour. And fifth, the domestic sector, in which people work for other families.⁵

Between these segments there is some movement going on. There are people that have a salaried job in a business and decide to start for their own in a family business for example.⁶ However, there is also a group of people that is captured in low-income jobs. This is especially the case in the informal sector. There are many small and marginal family businesses that do not have the assets to become a bigger business which would generate more income. When the business is not going well they start another small and marginal business that generates little income. These people are trapped in low income jobs.⁷

So, unemployment, and especially sub employment and a segregated labour market are big socio-economic problems Bolivia is facing. It is a overall problem in the country, but especially the city of El Alto is dealing with these problems, because of its popular

⁴ Interview CEDLA

⁵ Interview CEDLA

⁶ Interview CEDLA

⁷ Interview Viceministerio de Micro y Pequeña Empresa

destination for rural migrants. The problems result in a population that continuously searches for better opportunities and living circumstances.

2.1.4 Politics

Bolivia can politically be divided into nine departments, which are Chuquisaca, Cochabamba, Beni, La Paz, Oruro, Pando, Potosí, Santa Cruz, and Tarija. Ever since Bolivia gained independence in 1825 the more rural departments of the country have never been of interest to the national government. This changed with decentralization implemented in Bolivia through two laws, the Law on Popular Participation (LPP) in 1994 and the Law on Administrative Decentralization (LAD) in 1995. The thought behind the first law was that participation of population in local decision-making was essential for improving living conditions of people, and therefore the law focused on creating mechanism to facilitate popular participation. In general the law consisted of three mechanisms. The first one was creating 311 new municipalities that recognized rural areas as well. These municipalities received a number of tasks, such as providing infrastructure, health care, and education. The second mechanism was the redistribution of financial means. The law implicated a transfer of funds from the national government to the municipalities, by distributing twenty percent of national tax raising amongst the municipalities, proportional to the size of the population of each municipality. This made the capital city of La Paz the biggest loser of this mechanism, since it always received a disproportional big amount of taxes. The third mechanism was the institutionalisation of the relationship between the state and civil society, in which several social organisations were recognized, for example peasant communities, neighbourhood organisations, and indigenous movements. The LPP focused completely on local level and the issue of participation. The second law, the LAD, was implemented a year later and focused more on the departmental level, since this was still weak and hindering the coordination of the municipalities. The LAD consisted of two aspects. The first one was the restructuring of the departmental level in accordance to the new municipal structure. The second aspect was departmental administration, characterized by sectoral division, for which the municipal councils elect the departmental councils, who divide the budget (Nijenhuis, 2002).

Current politics in Bolivia are characterized by the presidency of Evo Morales, former coca farmer and first indigenous president of the country. Since Morales became president in 2006, the concept of *Vivir Bien* regained national and political attention. Before Morales, politics were characterized by neoliberal policy. Many resources and agricultural products were exported and their incomes mainly filled the pockets of multinationals and white large landowners. The poor indigenous population was not benefitting from this, while their natural habitat was negatively affected. Morales nationalized many resources, in order to use the income generated from it for education, basic health care, and retirement pays. Mainly the poor indigenous population is benefitting from this. Morales also introduced a new constitution, which is based on the concept of *Vivir Bien* and gives more rights to the indigenous population to carry out their traditional forms of administering justice and decision making processes. Of course the policy of Morales received a lot of resistance amongst the non-indigenous population (Van Rijn, 2010).

2.2 Introduction to El Alto

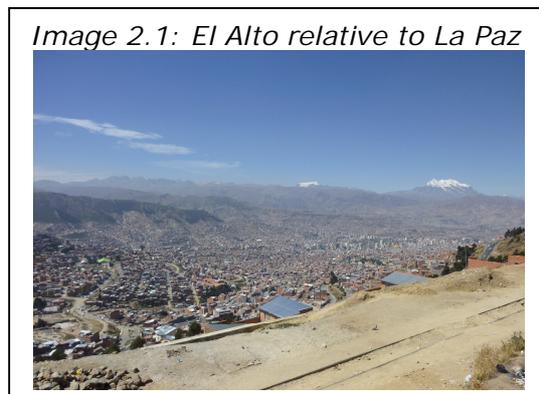
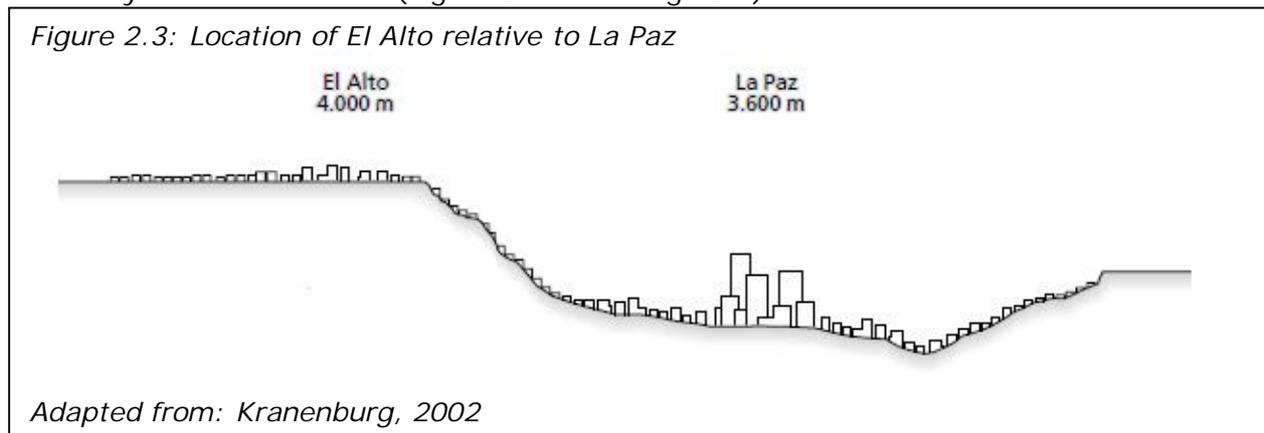
Cramer (1996): "Most travellers arriving in La Paz, by plane, bus or automobile, will be entering by way of El Alto, perhaps the only city in the world, where the airport is the best place in town." (Kranenburg, 2002:39)

Outsiders are often not so positive about El Alto, since the city has not much to offer to tourists (Kranenburg, 2002). However, a big amount of Bolivians will not share this opinion. El Alto is seen as the Aymara capital of the world and as the city of hope to many

indigenous migrants who moved from the rural areas to the city (Arbona & Kohl, 2004). A billboard pronounced: "El Alto is not part of Bolivia's problem. It's part of Bolivia's solution." (Armstrong et al., 2007:76) This shows the importance of El Alto. The city is seen as an opportunity to many people. It started as the satellite city of La Paz, but now is an independent city of almost one million inhabitants.

2.2.1 History of occupation and growth in El Alto

The most striking characteristic of El Alto is its situation on 4,000 meters above sea level. The city is situated on a bare windy plateau with a cold climate which is rarely experienced as pleasant. La Paz, its neighbour city and the political capital of the country, is located in the valley 400 meters lower (Figure 2.3 and Image 2.1).

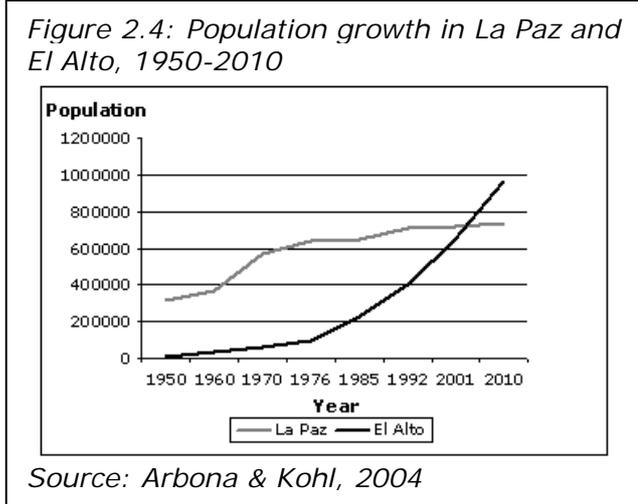


Until the National Revolution in 1952 the area of El Alto was mainly a rural area possessed by large landowners owning haciendas. However, the area had some urban characteristics. There were a railway company, an airport and a golf court. In the 1930s the first residential building took place, while in the 1940s big plans were made to parcel out land for large scale house building (Kranenburg, 2002). The National Revolution has been of big importance to the growth of El Alto, since it was followed by national land reforms in 1953. Because of redistribution of land and the freeing of the indigenous population from bonded

labour on the haciendas, many *campesinos* migrated to cities (Arbona & Kohl, 2004). Especially La Paz attracted a lot of migrants. The valley of La Paz filled up quickly. The pressure on available space forced up the land prices in the valley, which made living in La Paz for many migrants unaffordable. New migrants together with people who had been living in La Paz and were escaping the capital city's congestion, settled down in the periphery of the city. This periphery was formed by the steep slopes of the valley and the high plateau of El Alto (Kranenburg, 2002).

To get hold of a piece of land, the migrants were dependent on the services of traders parcelling out the land and selling plots. These traders on large scale bought the land of individual farmers and farmer communities for low prices. Farmers were not reluctant to sell the land, since it had lost its agriculture value. Once the land was bought, the traders parcellled it out and sold it to the migrants. This process is seen as semi-legal. The buying, parcelling out and selling of land was completely legal, since Bolivian city planning patterns were used and the migrants received property rights as well. However, if the traders would have done it completely legal, they should have provided infrastructure, water and sanitation, and electricity as well. But they did not, and therefore the process is called semi-legal (Kranenburg, 2002).

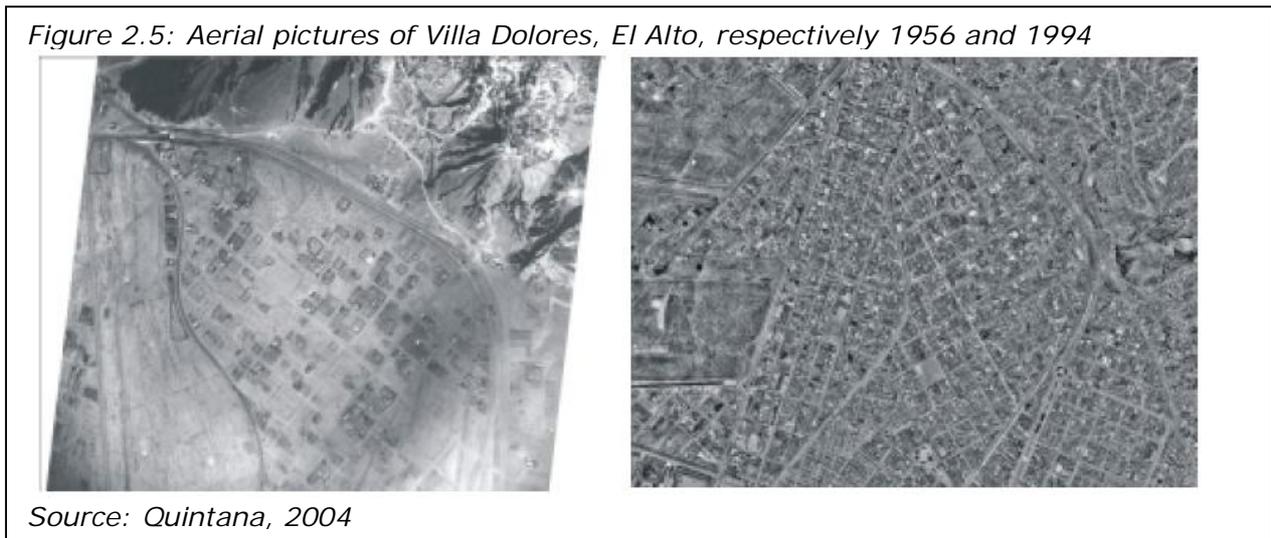
After parcelling out the land in El Alto and especially after the National Revolution in the early 1950s, the city faced an extremely rapid growth (Figure 2.4). The amount of inhabitants grew from 11,000 in 1950 to 649,958 inhabitants in 2001 and experienced an average annual growth rate of more than eight percent, while the average annual growth rate of La Paz was 1.65% in that same period. The last official census in Bolivia has been carried out in 2001. El Alto with its 649,958 inhabitants almost exceeded La Paz with its 732,000 inhabitants in that year. For 2010 it is expected that El Alto will have more inhabitants than its neighbour city La Paz (Arbona & Kohl, 2004).



The most important cause of the rapid growth of El Alto is rural to urban migration. Several events in the past made people migrate from the rural areas to the city. The first wave of growth happened in the 1950s due to the National Revolution of 1952 and the land reforms of 1953, as already mentioned. In the 1980s two specific events, one natural and one economic, led to dramatic increases in migration. In 1982-83 Bolivia was characterized by El Niño-related droughts, which drove tens of thousands of *campesinos* off their subsistence plots into the city. And, in 1985 neoliberal policies led to the closure of state mines, which drove ex-miners to El Alto (Arbona & Kohl, 2004). Although migration is still the most important cause of the rapid growth of El Alto, the role of natural growth has become more important (Kranenburg, 2002).

The population growth in El Alto involved an urban sprawl towards the periphery of the city. The density of building grew in the older more central neighbourhoods of the city, which made arise new neighbourhoods at the edge of El Alto. The amount of neighbourhoods grew from six in 1952 to 218 in 1992.

The rapid growth of El Alto is clearly visible from aerial pictures as well. Figure 2.5 shows two aerial pictures of Villa Dolores, one of the neighbourhoods of El Alto, in respectively 1956 and 1994.



In 1968 El Alto officially became a part of the city of La Paz. El Alto was labelled as a place of settlement for industry and low-income households, mainly because the municipal government wanted to remove these from the more central parts of the capital city. The 1980s were characterized by the call for autonomy, lead by the Frente de Unidad y Renovación Independiente de El Alto (FURIA). This social organisation received assistance of

other social organisations in the city, amongst others the umbrella organisation of neighbourhood committees. The call for autonomy was based on the displeasure about the net revenue of tax raising in El Alto (mainly net revenues of taxes of the airport and the custom house), which was directed at La Paz and did not benefit the residents of El Alto at all. After a year the action of the FURIA became successful and El Alto received administrative dependency (Kranenburg, 2002). Of course La Paz did not give El Alto away just like that. Municipal leaders in La Paz recognized that the growing impoverished population of El Alto was a millstone around the neck of La Paz. El Alto would inevitably strain municipal resources. Furthermore, political leaders of La Paz saw the growing population of El Alto as an electoral threat. El Alto was not just poor, but also indigenous, which was considered to be a danger (Arbona & Kohl, 2004).

2.2.2 Neighbourhood consolidation in El Alto

The foregoing has shown that El Alto has grown from nothing more than rural area to a city of almost one million inhabitants in only sixty years. This completely took place by self-help housing and neighbourhood upgrading projects.

In El Alto the provision of basic services started in the 1978 by the government or publicly owned enterprises. El Alto was at that time still part of La Paz. In order to improve the living conditions in the peripheral neighbourhoods of La Paz, the World Bank provided a loan to the municipal government of La Paz at the end of the 1970s. In 1978 the municipal government decided to start a neighbourhood upgrading project in some of the oldest neighbourhoods of what now is El Alto, but at that time were the poorest neighbourhoods of La Paz. There was chosen for the neighbourhoods Villa 16 de Julio and Villa Los Andes. Since there were more neighbourhoods with poor living conditions, this choice was not self-evident. An important factor which played a role by making this choice, was the willingness of neighbourhood committees to join the project. The neighbourhood upgrading project of 1978 in these two neighbourhoods of El Alto was co financed by the World Bank and part of a broader project on neighbourhood upgrading in Bolivia in general, which was called HAM-BIRF. This project was a cooperation between *Honorable Alcaldía Municipal de La Paz* (HAM) and *Banco Interamericano de Reconstrucción y Fomento* (BIRF). Four executive institutions were responsible for site-and-services projects, the provision of small loans to small entrepreneurs, neighbourhood consolidation and the creation of local markets, and technical and financial support of these activities (Kranenburg, 2002).

In the scope of the HAM-BIRF project, neighbourhood upgrading in the two neighbourhood in El Alto consisted of the following issues:

- the installation of a sewer system
- the installation of waterworks
- the connection of plots to these two systems
- the provision of small loans for construction materials
- the development of a credit project for small entrepreneurs.

Later, the following issues were added to the project:

- canalizing the Rio Hernani, which flows through both neighbourhoods
- the consolidation of the major roads in the two neighbourhoods
- the construction of three public latrines
- the start of the service of waste collection (Van Beijnum & Kranenburg, 1993).

The project was presented as a project of community participation and self-help, but in practice it was mainly top-down organized. This project is seen as part of a much broader campaign on neighbourhood upgrading in the whole city of El Alto (Kranenburg, 2002).

From the beginning of the first neighbourhood upgrading project, the connections to electricity, waterworks and the sewer system in El Alto rapidly grew. In 1992 83% of the households of El Alto had access to electricity, 86% to potable water, and 33% to the sewer system (Kranenburg, 2002).

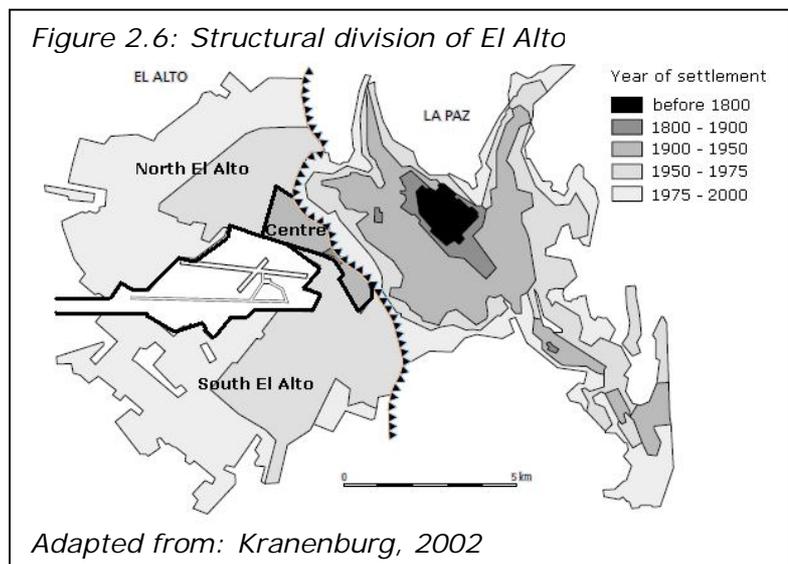
The other part of the neighbourhood consolidation process is the improvement of houses by the local population themselves, sometimes partly facilitated by neighbourhood upgrading projects by providing small loans for construction materials. The most used

construction materials in El Alto are adobe and bricks. Adobe is relatively cheap and a solid material in cold climatic circumstances, while bricks are more expensive and give a household more status. Therefore households often make use of a combination of materials. For the first floor often adobe is used, except for the façade which is made of bricks. For the second and higher floors, there is often made use of bricks since these are less in weight (Kranenburg, 2002).

Because El Alto is still growing and there are still new neighbourhoods being built on the edge of the city, this consolidation process is still taking place. Land is parcelled out, people are building their own houses and the government provides them with services. The neighbourhood consolidation process is spreading out over the city with the oldest neighbourhoods in the city centre already consolidated and the newest neighbourhoods at the edge of the city at the start of this process.

2.2.3 The El Alto of today: A divided city

The El Alto of today is in several ways a divided city. First, the city can be divided spatially into three areas based on the period of origin and the type of attracted migrants: the central part close to the Ceja, the area north of the airport, and the area south of the airport (Figure 2.6). The central part of El Alto is the smallest of the three parts of the city. It is also the most urban one. The living conditions in this part of the city are better, because the level of service provision is higher. This makes land prices in this area higher. Therefore the area is



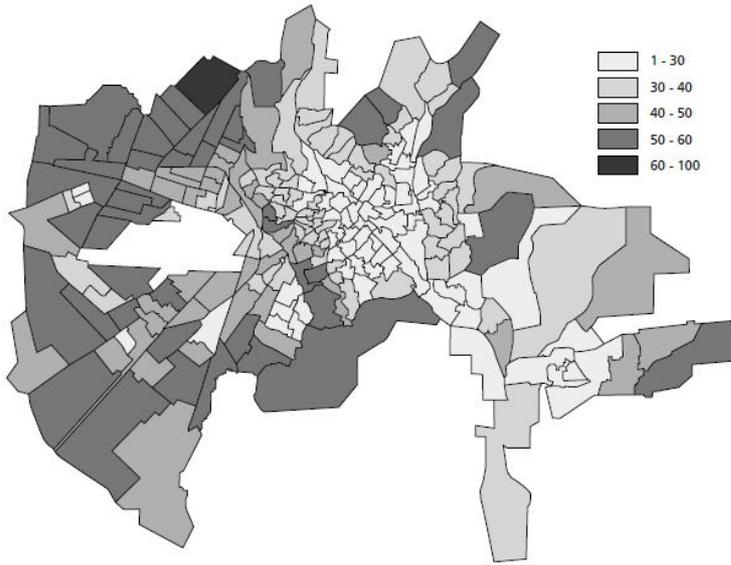
characterized by more prosperous households, with migrant residents from La Paz, Oruro and Potosí. In the area the Central Business District of El Alto and the municipal government are located. The northern part of El Alto consists mainly of Aymara households coming from the surrounding countryside. Among these households are many economic independent entrepreneurs benefiting from the big market on Thursdays and Sundays. Directly north of the airport are some old consolidated neighbourhoods located, in which living conditions are relatively good compared to the younger neighbourhoods in this part of the city. The southern part of El Alto is the youngest part of the city and is characterized by a heterogeneous composition of population. Low-income as well as middle-income households are living in this area. This does not make the area a melting pot. The southern part of El Alto is a textbook example of segregation. The middle-income households live in social housing provided by the government, while the low-income households live in self-help housing. Differences in prosperity in this part of the city are well visible. Further, the southern part of El Alto is still rapidly growing, as a result of still low land prices in this part of the city and limited possibilities of growth in other parts of the city due to the natural location of the city (Kranenburg, 2002).

Second, a more sensitive division of El Alto is a separation between the *alteños* and the *señores* who live in El Alto. In some of the more consolidated neighbourhoods of the city, Villa Dolores, Ciudad Satélite, 1 de Mayo, and Villa Adela, residents reflect values, practices and habits more similar to the neighbour city La Paz (the *señores*). This is not strange since these neighbourhoods were part of social housing projects of the government. This made these neighbourhood a little bit more expensive than other parts of the city. Residents of these neighbourhoods are part of the somewhat higher-income groups. In most parts of El

Alto residents reflect a more traditional, rural and indigenous way of living (the *alteños*), since 85% of the population in El Alto is Aymara. This division between *señores* and *alteños* sometimes leads to confrontations (Quintana, 2004).

Third and last, El Alto is divided through its infrastructural system. In a period in which El Alto did not yet exist or only was a small settlement surrounding the old railway from Arica (Chile) to Oruro and further to Guaqui, which passes La Paz, efforts have been made to integrate the old railways with the main roads in order to create a regional network which linked La Paz with the hinterland. The development of the infrastructural network did not follow the development of El Alto as a city, but developed in order to create a regional network. This means that the current infrastructural system in El Alto is not integrating the city itself, but only linking the city with La Paz and the hinterland (Quintana, 2004). This makes El Alto an important part of the urban agglomeration of La Paz with being a link between the agglomeration and the hinterland. The main roads linking the agglomeration with Peru, Chile and the Bolivian hinterland are all coming together in El Alto, in the so called *Ceja*, the major junction of roads on the edge of the plateau. From this junction roads descend to La Paz (Kranenburg, 2002).

Figure 2.7: Percentage of households living in poverty, urban agglomeration of La Paz, 1992



Adapted from: Kranenburg, 2002

In more physical terms this means that roads within El Alto which are important for the regional network are pretty well consolidated, while others are not. Roads in El Alto at the same time are dividing neighbourhoods which are more or less consolidated than others (Quintana, 2004).

The differences within El Alto are well visible in prosperity figures (Figure 2.7). There is a clear difference in prosperity between La Paz and El Alto. Within El Alto, it is clear that the older, central and more consolidated neighbourhoods face less poverty than the more peripheral neighbourhoods on the edge of El Alto (Kranenburg, 2002).

Thus, El Alto is in many ways a divided city. Distinction can be made between North and South, between *señores* and *alteños*, and between less consolidated and more consolidated neighbourhoods. These distinctions have implications for where people live and what their quality of life is.

2.2.4 Home-based entrepreneurship in El Alto

A quick visit to the city of El Alto shows that the majority of the houses has a common morphology that distinguishes itself in two manners. First, many of them possesses shops facing the street (Image 2.2), and second, the families in better economic conditions construct houses with several floors. This shows that the house is able to generate a family income, whether by means of letting out rooms or floors, or by means of starting an own enterprise. When people in El Alto acquire a house, they not only plan to use it as habitat, but their end goal is to somehow make money with it. Thus, possessing a house is a very

Image 2.2: Typical building in El Alto



important factor in the scope of the informal sector and informal employment in El Alto (Durán, Arias & Rodríguez, 2007).

In chapter one we have already seen that the productive use of the habitat is by no means a new phenomenon nor something exclusively common in El Alto. But it is something typical for the city of El Alto due to the special history of El Alto. The habitat often serves as the headquarter of many micro enterprises, that form the principal form of employment in Bolivia and is a sector that offers many opportunities to the majority of the population. Durán and others (2007) did a small study on the productive use of the habitat in El Alto. This study is meant as a first initiative to evaluate the productive use of the habitat in El Alto. However, there are two deficits of this research. First, they only focus on the 'productive' use of the habitat, or in other words on production related activities, while the majority of the micro enterprises in Bolivia works in the sector of commerce. And second, for the sake of an inventory of the amount, type and location of home-based enterprises they assumed that all micro-enterprises in the city of El Alto are realized within the habitat. This is not so self-evident as they argue, since some entrepreneurs might be able to rent a separate room for example in the city centre, while they live in another place. Due to this assumption their inventory might be overestimated. However, one important aspect their study shows has to do with the location of home-based enterprises in El Alto. They argue that the geographical distribution of micro enterprises (home-based enterprises as they assume) shows that, although small clusters exist around the Ceja and in the Zona 16 de Julio, a high dispersion exists in terms of location of micro enterprises. In other words, there are no patterns of localization or clustering found. From this they draw the conclusion that home-based enterprises in El Alto do not show the entrepreneurial spirit of the residents of El Alto, but show the diverse strategies of survival that exist in the city (Durán, Arias & Rodríguez, 2007). This is an important fact, since economic activity and entrepreneurship in general in El Alto can be characterized by a concentrated location in the city centre and along main roads and by a clustering of economic activity, as we will see in chapter three. This apparently does not seem to count for home-based entrepreneurship.

2.3 The facilitating context: Policies and interventions for business development in Bolivia and El Alto

This study is focused on the specific group of people that uses their home for realizing their business. The foregoing has shown that home-based enterprises are a common phenomenon in Bolivia, provide employment to a big part of the population and play an important role in the lives of the households and in society. Since they operate mainly in the informal circuit, they often get little attention of policymakers. But cooperation with these entrepreneurs, not to control them, but to assist them to be effective and efficient, is of great importance for the existence of HBEs (Tipple, 2005). Chapter one has already shown the tools which can contribute to business development, employment creation, and thus to LED. Direct support entails direct intervention that can include (1) measures to improve the built environment for micro-enterprise activities, (2) providing access to formal markets, (3) resourcing and assistance to business support agencies, and (4) public procurement programmes. Indirect support entails providing a facilitating environment by adopting more supportive interventions that can include (1) development of a local information base, (2) facilitation of periodic markets, (3) assistance for development of appropriate training, (4) extending business linkages between formal enterprises and growing micro-enterprises, (5) the establishment of local technology centres or the promotion of access to existing technology centres that allow micro-entrepreneurs to enhance their technologies, to innovate new products or to enhance product qualities (Rogerson, 1999).

This section deals with the facilitating context with respect to policies and interventions for business development and employment creation. First, the section explains the *Plan Nacional de Desarrollo* (National Plan for Development). Since this overall plan for development coordinated by the *Ministerio de Planificación del Desarrollo* (the Ministry of

Development Planning) sets out the main policy lines for Bolivia, it is important to understand the background and content of this plan. Further, the section deals with policies and interventions for business development on national as well as local level and discusses the Vice ministry of Micro and Small Entrepreneurship, the micro credit organization Diaconía, the municipal government of El Alto and a project of CARE Bolivia called PROMOVER.

2.3.1 Plan Nacional de Desarrollo

The Plan Nacional de Desarrollo (PND) is established in 2006 in order to overcome negative results of colonialism and neo liberalism. Section 2.1 has shown that the history of Bolivia, like that of many other Latin American countries, is marked by politics of colonialism and neo liberalism. This resulted in a deep social, cultural and political exclusion of some people in the country. The poverty and inequality in the country are an expression of the unequal distribution of income, employment, consumption, wealth, and opportunities, as well as ignorance of identity, human rights, and human dignity (Ministerio de Planificación del Desarrollo, 2006). The PND is aimed to destruct the negative aspects of colonialism and neo liberalism and to construct a social and protective state that acknowledges plurality and diversity. An important starting point of the PND is the concept of *Vivir Bien*, which not only approaches development as material satisfaction, but also satisfaction on spiritual and emotional level in relation to nature and other human beings.⁸

In order to realize this change the PND consists of four long-term strategies: (1) the socio-community strategy, *Bolivia Digna*; (2) the strategy for social power, *Bolivia Democrática*; (3) the economic strategy, *Bolivia Productiva*; and (4) the strategy for international affairs, *Bolivia Soberana* (Ministerio de Planificación del Desarrollo, 2006). These four different strategies include different goals and sectors and are implemented by the different other ministries the Bolivian government possesses. By this the PND is responsible for the main policy lines in Bolivia.⁹

Bolivia Digna

The socio-economic and cultural system in Bolivia is unequal and exclusive, since it does not take into account the social and cultural diversity in the country, which results in an unequal distribution of income, employment opportunities, and social participation. This limits the opportunities of many to education, health care, basic services, housing, justice, and security. The strategy of *Bolivia Digna* tries to change this situation and consists of several policy areas, such as social protection and community development, food security and reduction of malnutrition, increase of access to and quality of education, health care, drinking water, and basic services, the reduction of maternal and child mortality, social security, justice, and culture (Ministerio de Planificación del Desarrollo, 2006).

Bolivia Democrática

The strategy of *Bolivia Democrática* contains the concepts of popular participation and decentralization. The people themselves are responsible for their own development. They are not passive waiting for public policies, but participate in political decision making by means of social movements. Important aspects are decentralization and community responsibility.¹⁰

Bolivia Productiva

Bolivia, like many other developing countries, has a biased economy, and historically can be characterized as an exporter of mainly primary products. The strategy of *Bolivia Productiva* tries to overcome this economic bias and is aimed at changing this position of Bolivia as exporter of primary products by economic diversification and the production of products with a higher value, not only for the export market, but also for the internal market. *Bolivia*

⁸ Interview Ministerio de Planificación del Desarrollo, 2010

⁹ Interview Ministerio de Planificación del Desarrollo, 2010

¹⁰ Interview Ministerio de Planificación del Desarrollo, 2010

Productiva includes three major groups of sectors. First, the sectors of natural resources, in which the state mainly plays a protective role. Second, the sectors of income and employment, in which the state mainly plays the role of promoter. These sectors include industry, manufacturing, agricultural development, housing, and employment creation. And third, the sectors of infrastructure and technology as supporting sectors.³

Bolivia Soberana

The strategy of *Bolivia Soberana* is aimed at improving the international position and external relationships of Bolivia in order to be an independent state with an own identity. This strategy has mainly a political focus on the position of Bolivia in the international context. Sectors include international economic relationships, international agreements and conventions, and other international relationships.³

Although the PND strategies are mainly long term strategies, there are some positive results that might be attributed to the PND: (1) in the sphere of education, a reduction of illiteracy, (2) the reduction of poverty, (3) the increase of production and economic growth, (4) the nationalization of hydrocarbons, and (5) the improved international position of Bolivia.³

2.3.2 Policies and intervention for business development on national level

On national level the main policy lines are set out by the *Plan Nacional de Desarrollo* coordinated by the *Ministerio de Planificación del Desarrollo*. All other ministries and vice ministries are working according this development plan and are working on one or more sectors. The ministry that is concerned with micro and small entrepreneurship is the *Viceministerio de Micro y Pequeña Empresa* (Vice Ministry of Micro and Small Enterprises). The objective of the vice ministry is to promote and facilitate the implementation of policies and strategies for the development of the productive units in the country (micro and small enterprises, farmers organizations, associations and organizations of small urban producers), to fortify their technical capacity, technologies, and their control of quality and business administration, and to drive processes of training, technical assistance and transfer of technology. The vice ministry tries to generate a series of conditions for small enterprises and their entrepreneurs to develop their activities by means of providing non-financial services, such as training and technical assistance. The vice ministry supports (small) enterprises both directly as well as indirectly.

Concerning direct support an important task of the vice ministry is to facilitate the access of internal and external markets for micro and small entrepreneurs. The institution concerned with this task is *Promueve Bolivia*. This institution, a part of the vice ministry, has its focus on the internal and external market of Bolivia and needs to create opportunities for micro and small enterprises to access these markets.

Of course access to the market depends to a great extent on the characteristics and capabilities of the enterprise itself. Therefore the indirect support the vice ministry provides is equally important. An important part of this indirect support is the provision of services concerning training and technical assistance in order to generate appropriate business skills. The institution concerned with this task is *Pro Bolivia*. This institution has a mechanism in which the most vulnerable micro entrepreneurs receive support of the government in training and technical assistance so they have a healthier business and get access to formal credit.

Another important part of this indirect support of the vice ministry, and also of vital importance to the access to internal and external markets, is creating and extending business linkages between formal enterprises and growing micro enterprises. These linkages can be between micro enterprises and state enterprises, in which the state enterprise invest in and buy from micro enterprises instead of medium and big enterprises, in order to activate small entrepreneurship. These linkages can also be between micro enterprises and private enterprises. In this case micro enterprises do not have to compete with big private enterprises, but are able to cooperate with them.

Other indirect support the vice ministry provides is on the one hand the promotion of products of micro enterprises through international markets and conventions with other countries, and on the other hand the promotion of technological development.

By the direct and indirect support the vice ministry gives it tries to develop small enterprises. There are many enterprises that fail, many that succeed and many that want to grow, but do not have the opportunities. Through support mechanisms the vice ministry wants to facilitate these opportunities to grow for those who want to. The ultimate goal at the end is to generate more employment.¹¹

Although the vice ministry works on the different tools for direct and indirect support that can lead to business development and LED, at the moment there are no concrete programmes in El Alto or programmes concerning the specific group of entrepreneurs that use their home as business location.

Important for the existence of home-based enterprises is the access to financial capital. Most home-based entrepreneurs have limited access to financial capital, therefore the access to micro credit is important for the continuity of HBEs. The micro credit sector in Bolivia is well developed. There are many banks and other organizations providing micro credit to (poor) people. Not only for starting a business, but also for building or improving their house, education and health care. One of these organizations interviewed for this study is Diaconía. Diaconía is a Christian Non Governmental Organization (NGO), founded in 1991, and aimed at contributing to the improvement of the incomes with poor resources by means of easy access to credit for micro entrepreneurship and housing. Because Diaconía is not a commercial bank, but a NGO, it not only provides micro credits, but also works on supporting families socially. Diaconía knows five fields of work. Their main job is to provide alternative financing to help the initiatives and economic activities of people that lack access to commercial banks by means of a fund of credits. Besides micro credit, their objectives include: (1) helping to increase the economic incomes and to improve the habitat of people with poor resources, (2) planning and running social and economic development programmes by means of the creation and development of jobs, the promotion of micro enterprises, and the construction, enlargement, and improvement of houses, (3) promoting saving within their financial means amongst users of credit and/or saving as the goal of each user, and (4) providing advise in improving technologies and administration of micro enterprises.

The micro credit Diaconía provides is for micro enterprises in the field of commerce, production and agriculture, as well as for housing. Micro credit can be for individuals or households, in which a family borrows money for their activity. But Diaconía also provides micro credit to groups of individuals of about ten to fifty members, in which the members share the credit as well as the responsibility of paying. To obtain a micro credit households need their personal document of identity, a representation of where they live and a bill of electricity. They do not need a prove of registration of their business or a license of the municipal government, because many families do not have these papers. If they presented these papers, Diaconía analyses their business or their financial situation and decides together with the family the amount of loan they are able to pay back. Before receiving the credit Diaconía provides a little workshop to the families aimed at on the one hand managing micro credit and the repaying involved, and on the other hand more general managing a business. Because Diaconía is a NGO and has a more social approach of micro credit, it is more accessible for the poorest of the poor than commercial banks.

With the micro credit Diaconía provides combined with the support and training involved, in those nineteen years the organization exists, it helped many families and groups of families to improve and expand their business and to be successful entrepreneurs. Not only with the help of Diaconía, but also with the help of other micro credit organizations.¹²

¹¹ Interview Ministerio de Planificación del Desarrollo, 2010

¹² Interview Diaconía, 2010

2.3.3 Policies and interventions for business development on local level

Although the main policy lines are set out on national level in the PND, Bolivia is a very decentralized country, which means that also on local level many policies and interventions take place. In El Alto policies and interventions on local level are performed by of course the *Gobierno Municipal de El Alto* (the municipal government of El Alto), but El Alto also knows a big arsenal of NGOs working amongst others in the field of business development.

To start with the municipal government of El Alto, by various policies and interventions it tries to contribute to the whole entrepreneurial sector in the city of El Alto. It has several departments and performs various programmes in order to improve the sector. The municipal government mainly deals with indirect support by providing services for training and technical assistance, providing business information as well as technological information, and the promotion of products through the facilitation of periodic markets. The municipal government also gives direct support, mainly measures to improve the built environment of enterprises.

An important aspect of the indirect support the municipal government gives is training and technical assistance to entrepreneurs in different sectors. This training can be technical training as well as management training and training in other business skills, such as making a business plan. An important programme concerning this aspect of indirect support is the technical training of young students between 17 and 25 years old in order to educate them in several professions.

Another important aspect of the indirect support the municipal government gives is the promotion of the products made by micro enterprises. The government organizes several local periodic markets on which local producers can promote and sell their products. Also the municipal government facilitates micro entrepreneurs with the necessary brochures, posters, cards and other promotion material in order to promote their product on the market.

Another important aspect of the indirect support the municipal government gives is the provision of information on the development of business skills, the access to credit, the making of a business plan etcetera.

The municipal government also provides some direct support to micro entrepreneurs in the form of creating a favourable business climate in the form of infrastructure and services, but also on personal level in the form of food security.¹³

Bolivia knows a big arsenal of NGOs working on several development issues, amongst others business development. One of these NGOs interviewed for this study is CARE Bolivia. CARE is an international NGO with a department in Bolivia. One of the projects of CARE Bolivia is PROMOVER, a project to empower women and youngsters to initiate business activities in the city of El Alto and to improve the living circumstances of these groups of people by starting with improving their economic activities and business skills. The project started in 2006 and ended in August 2008. The project provides mainly indirect support to entrepreneurs and is aimed at the provision of training on three different areas. First, business development through training in business management and skills. These training sessions are aimed at creating a healthy business plan concerning the organization of the enterprise, the analysis of the market, the formation of prices, and the management of costs and incomes. These trainings are mainly focussed on improving the management skills of entrepreneurs so that they develop a business vision and present themselves as leaders. Second, besides business development, personal development is an important aspect of the project as well. Supporting families through improved communication, increased trust and reduced domestic violence helps them to better understand each other, also with respect to the business. Micro enterprises are mainly family enterprises and by supporting these families as a whole and not only the responsible person, the different members of the family have more harmonised ideas which results in less conflicts and a bigger survival chance of their business. These two trainings, business development and personal development, are

¹³ Interview Gobierno Municipal de El Alto, 2010

accompanied by the third aspect of the project PROMOVER, the formation and strengthening of partnerships between different entrepreneurs. In these partnership several entrepreneurs together develop a business, cooperate, support each other, divide the roles and functions according to the different skills and capacities they possess, and elaborate on rules and regulations. By means of these three fields of work the project tries to prevent the failure of existing businesses due to mismanagement, to create successful businesses, and to develop responsibility, not only for the business, but also for the family involved. To participate in the training session, entrepreneurs need to pay 28 Bolivianos (about \$US4). This is part of the training in order to learn the entrepreneurs that they need to invest in their business in order to be successful.

In the two years the project lasted about 2,000 persons have been supported by the project. Thirty percent were people that wanted to start a business, while the rest were persons that already had their business. Many of them have improved their businesses. For example when it comes to the business location, many decided to separate their business from house affairs. But also many had to hire employees, because their sales increased. Due to the improved management of their business, their productivity and the quality of their products have improved. This opened up new possibilities to improve their business, since some of them made new commercial contacts and made contractual arrangements with big enterprises. In general incomes of businesses improved with on average some twenty percent. Another important outcome of the project is the attitude of women. They are more empowered and present themselves more as leaders.

Of course the project knows some difficulties as well. Most important their personality or personal nature. People in El Alto are quite closed and it turns out to be difficult to change their logics of doing business. They are used to the way they used to be doing business and do not understand that they might have to change this in order to generate more income. The project received a lot of resistance, but by talking and showing results of other micro entrepreneurs they managed to help about 2,000 families.¹⁴

2.4 Summary and conclusion

Bolivia is one of the poorest countries in South America and known as one of the three countries in Latin America (next to Peru and Guatemala) of which the largest segment of the population is composed of pure indigenous people (65%), of which the Aymara is the largest group. Bolivia faces three big socio-economic problems, unemployment, sub employment, and a segregated labour market, which result in seventy percent of the population living below the poverty line, and 65% of the population employed in micro enterprises in the informal sector, with low incomes and a high degree of vulnerability. Evo Morales, the first indigenous president who won the election in 2006, tries to change this situation with his Plan Nacional de Desarrollo (National Plan for Development).

Just like other countries in Latin America, Bolivia knows a process of rapid urbanization. A popular destination for the rural population is the city of El Alto, also known as the Aymara capital of the world. El Alto is located next to the city of La Paz on a bare windy plateau on 4,000 meters above sea level. Until the 1950s El Alto was mainly a rural area, but with land reforms in the 1950s many people migrated from the rural areas to the city of La Paz. Due to its unique location in a valley, La Paz filled up quickly and people started to live on the plateau as well, which later became the independent city of El Alto. In sixty years El Alto grew from mainly rural area to a city of almost one million inhabitants, almost only by means of self-help housing. In the eighties the first neighbourhood consolidation projects were started in order to improve the living conditions of the city dwellers. The city is still growing, there are still neighbourhoods built on the edge of the city, and thus the process of self-help housing and neighbourhood consolidation still takes place. This results in El Alto as a very divided city with respect to the background of the residents, the socio-

¹⁴ Interview PROMOVER, 2010

economic level of the residents, and the living circumstances in each neighbourhood. El Alto is known as the productive and industrial city, in which many people are employed in micro and small enterprises.

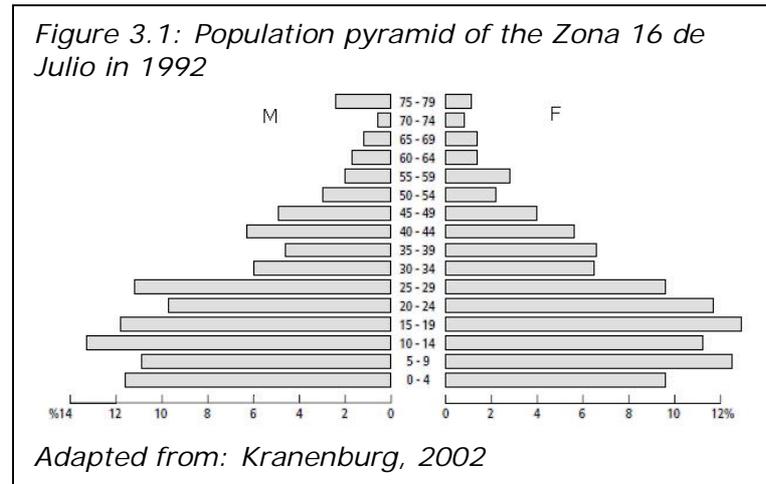
There are many initiatives in Bolivia as well as El Alto to improve the employment problems and enhance business development. On national level the main policy lines are set out by the *Ministerio de Planificación de Desarrollo* (Ministry of Development Planning) in the *Plan Nacional de Desarrollo* (National Plan for Development), which consists of four strategies. All other ministries are working according to this plan. One of the strategies is *Bolivia Productiva*, aimed at changing the position of Bolivia as exporter of primary products by economic diversification in order to create employment and enhance business development. Also on local level by the local government and by NGOs there is done a lot with respect to business development. Most support is indirect support, which involves mainly the facilitation of periodic markets, the provision of training for management and business skills, and the extension of business linkages between formal enterprises and growing micro-enterprises. This is done by the national and local government as well as NGOs. Besides, there is done some direct support as well in the form of measures to improve the built environment for micro-enterprise activities, and the provision of access to formal markets. This is done mainly by the local and national government.

3 Profile of the Zona 16 de Julio: Neighbourhood consolidation and urban transformation

The research area of this study is the Zona 16 de Julio in the city of El Alto, Bolivia. Chapter two already has shown that El Alto has been through and still is going through an important process of neighbourhood consolidation and urban transformation. This especially counts for the Zona 16 de Julio, where first settlement took place and the first neighbourhood upgrading projects had been realized. This resulted in major changes in the Zona concerning access to basic services, tenure security, densification and housing. The Zona now is completely consolidated, which has been an important precondition for economic activity in the Zona. The process of neighbourhood consolidation has been accompanied by a process of urban transformation, in which important functional changes of the land occurred as well as a change of the relative location of the Zona. Due to the urban sprawl of the city of El Alto, the Zona now is the city centre and completely consolidated. The Zona can be characterized as the economic heart of the city of El Alto. The presence of a weekly market, the *Feria 16 de Julio*, is an important factor in this. It attracts a lot of people, also from outside the city, and makes the Zona economically attractive to entrepreneurs (Kranenburg, 2002).

This chapter elaborates on the sub question: *To what extent are the processes of neighbourhood consolidation and urban transformation reflected in the demographic, socio-economic, and residential characteristics of the Zona 16 de Julio and in what ways did the functional use of land as well as economic activity change in the Zona 16 de Julio?* The chapter provides a complete neighbourhood profile of the Zona 16 de Julio by means of several thematical characteristics that reflect neighbourhood consolidation and urban transformation in the Zona. The chapter combines an analysis of the new collected data of 2010 with former data from previous years, if possible. The first three sections reflect mainly consolidation processes and deal with demographic, socio-economic, and residential characteristics of the Zona. The first section elaborates on demographic characteristics and deals with the population pyramid of the Zona, migration and the types of households. The second section discusses the socio-economic characteristics of the Zona and elaborates on the educational attainment level and educational participation, the occupational structure and job stability, and incomes. The third section deals with residential characteristics and elaborates on densification, morphological characteristics, the level of service provision, living circumstances, and tenure relations. The fourth section reflects urban transformation processes in the Zona 16 de Julio and discusses the functional characteristics of the Zona by elaborating on the *Feria 16 de Julio* (the weekly market), land use, and economic activity in the Zona.

3.1 Demographic characteristics

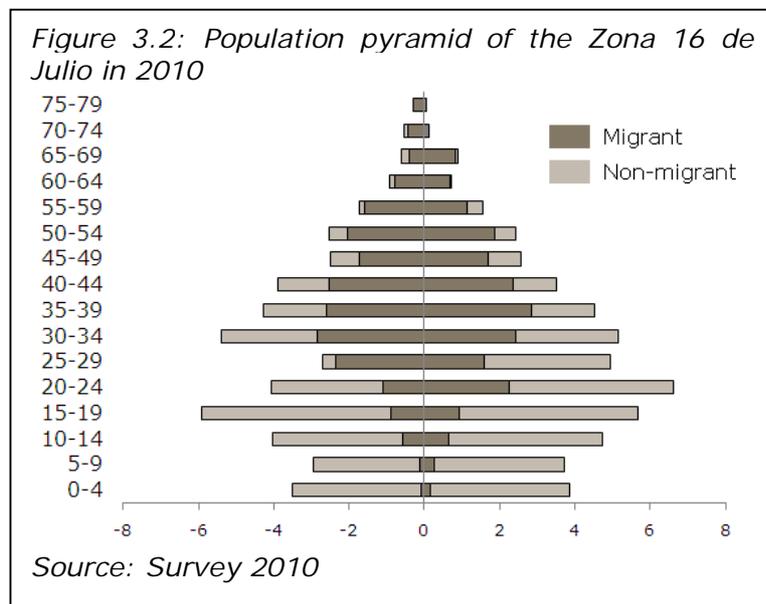


In 2002 Kranenburg argued that the Zona 16 de Julio can be characterized by a young population (Figure 3.1). By using data of the Instituto Nacional de Estadísticas de Bolivia (INE) of 1992, he found that more than three quarters of the population of the Zona were younger than thirty years.

However, this changed considerably in the last eighteen years. The current population pyramid of the Zona 16 de Julio does not show anymore the ever so young population found by Kranenburg (Figure 3.2). The current population pyramid of the Zona shows three important aspects.

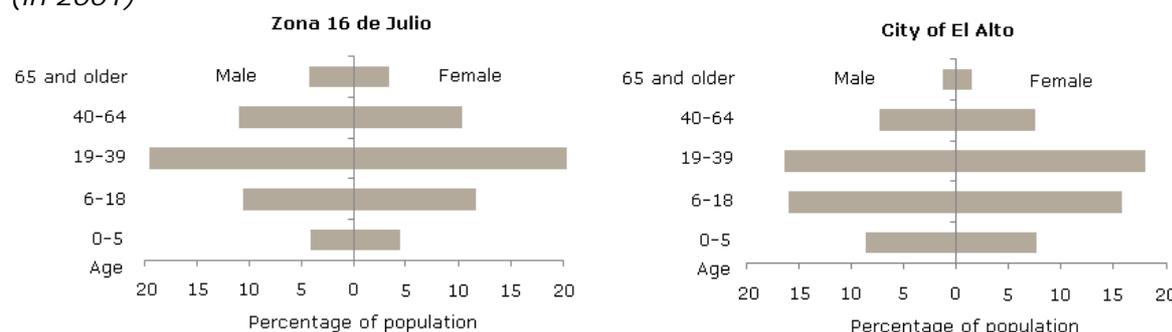
First, there are slightly more women (51%) than men (49%) in the Zona.

Second, the population of the Zona changed considerably between 1992 and 2010. Clear is that the current population pyramid of the Zona does not reflect anymore a population pyramid of a less developed country or city. These population pyramids can be characterized by a broad bottom or basis with lower percentages with every higher age group. However, the



current population pyramid of the Zona 16 de Julio rather reflects a population pyramid of an advanced country. This is an important fact, because it shows that the population of the Zona becomes older. Nowadays only about 56% of the population is under thirty years old. The question rises whether this is a unique situation for the Zona 16 de Julio or whether this counts for the city of El Alto in total. A comparison of data of the Zona 16 de Julio with data of the city of El Alto, shows that the Zona 16 de Julio has a relatively old population (Figure 3.3). About thirty percent of the population of the Zona 16 de Julio is under nineteen years old, while 45% of the population in the total city of El Alto is under nineteen years old. Of course this not only involves a geographical comparison, but also a comparison over time. However, the time difference is only nine years, which means that the population pyramid only moves upwards nine years. Although the analysis might be to some extent disturbed by this, it could also be a prove of the consolidation of the Zona 16 de Julio and its social development.

Figure 3.3: Population pyramid of the Zona 16 de Julio (in 2010) and of the city of El Alto (in 2001)



Sources: Survey 2010 and INE, 2010

N.B. The data of the city of El Alto contains data of the urban area of the fourth section of El Alto. This section includes the city of El Alto as well as the rural surroundings. The data on the urban area of this section mainly includes data on the city of El Alto, data on the rural areas is left out of consideration.

Third, the current population pyramid of the Zona 16 de Julio in Figure 3.2 also displays the percentages of migrants per age group. El Alto is known as a migrant city. However, nowadays about sixty percent of the population in the Zona has been born within the city of El Alto. Only forty percent has been born outside the city. This is mainly because the population of the Zona becomes older. Figure 3.2 shows that the younger generations more often have been born within the city of El Alto, while the older generations more often have been born outside the city. This indicates two important aspects. First, migrants that live in the Zona 16 de Julio are apparently mainly former migrants who have moved years ago to the Zona. And second, apparently there is not much increase of new migrants coming to the Zona.

Households in the Zona 16 de Julio on average count four household members in 2010 (Table 3.1). There are almost no differences between the average amount of household members in 2005 and 2010.

Most common households in the Zona 16 de Julio are more persons households with children, mostly two parents households, but also single parent households or other types of households in which other family members or employees do live (Table 3.2). These households together count for more than eighty percent of the total households in the Zona. About fifteen percent of the households are more persons households without children, such as (married) couples or other types of living together. Only four percent of the households are single households.

Table 3.1: Amount of members per household in the Zona 16 de Julio in 2005 and 2010 (as percentage of total)

	2005	2010
1	4.9	3.7
2	12.7	15.1
3	21.4	27.4
4	24.4	23.7
5	17.7	17.3
6	8.8	7.4
7	5.4	2.9
8	2.6	1.1
>8	2.2	1.4
Total (N=)	1,133	727
Average amount	4	4

Source: Surveys 2005 & 2010

Table 3.2: Types of households in the Zona 16 de Julio in 2010

	%	
Single household	4.2	
More persons household with children	Single parent	7.2
	Two parents	67.4
	Other	6.9
More persons household without children	(Married) Couple	11.4
	Other	3.0
Total (N=)	668	

Source: Survey 2010

3.2 Socio-economic characteristics

3.2.1 Education

The education attainment level is seen as an important indicator of human development. Knowledge and skills obtained during education are important for finding a job and obtaining income (Kranenburg, 2002). There are four important aspects to mention considering education in the Zona 16 de Julio.

First, about five percent of the population older than five years in the Zona has not had any formal education (Table 3.3). However, when comparing the current data with data of 1992, this percentage is a lot less.

Second, about thirty percent of the residents has not had formal education of *intermedio* or higher (Table 3.3). The Bolivian education system consists of several age specific levels. The age of compulsory education is six years. Children first follow five years of *básico* education, then three years of *intermedio* education followed by four years of *medio* education. When they are eighteen years old general education is over and there is more specialised education for the ones who want to and who are able to. The Bolivian government strives for at least *intermedio* education for everyone (Kranenburg, 2002). However, this is not the case in El Alto, where about thirty percent of the residents has not had formal education of *intermedio* or higher, despite the fact that this situation improved compared to 1992, when about fifty percent had a lower education than *intermedio*.

Table 3.3: The education attainment level of men and women (five years and older) in the Zona 16 de Julio in 1992, 2005, and 2010 (as percentage of total)

	1992			2005			2010		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
No education	8	18	13	10	12	11	5	5	5
Alphabetization	--	--	--	--	--	--	1	1	1
Básico	31	39	35	22	28	25	21	28	24
Intermedio	25	21	23	18	16	17	20	20	20
Medio	29	18	23	30	30	30	38	33	36
Técnico	1	1	1	8	5	6	4	2	3
Normal	1	1	1				2	2	2
University	4	2	3	12	9	11	9	9	9
Other	1	1	1	--	--	--	--	--	--
N= (100%)	20,168	20,541	40,709				1,112	1,152	2,264

Source: Kranenburg, 2002 and surveys 2005 & 2010

Third, the low education attainment level not only counts for the older people, (which would be easy to conclude, since the current education system is better than it used to be), but also for the younger generations. It turns out that also a lot of young children are not educated or are not following the education they are supposed to do (Table 3.4). In the

Table 3.4: The education attainment level of boys and girls between six and eighteen years old in the Zona 16 de Julio in 2010 (as percentage of total within age group)

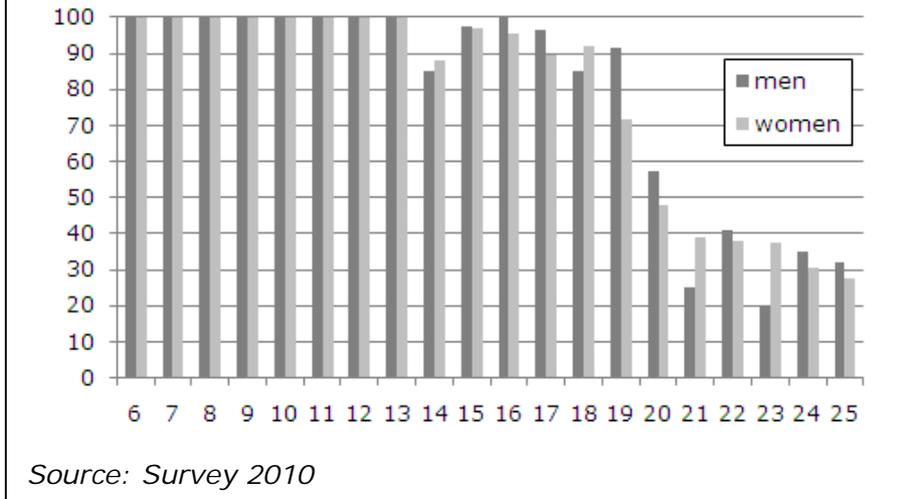
	6-10 years old			11-13 years old			14-17 years old		
	M	W	T	M	W	T	M	W	T
No	4.2	4.1	4.1	0.0	0.0	0.0	0.0	1.0	0.5
Básico	86.1	85.7	85.9	19.6	39.7	30.6	4.9	7.7	6.3
Intermedio	6.9	10.2	8.8	73.2	52.9	62.1	26.2	31.7	29.0
Medio	2.8	0.0	1.2	5.4	7.4	6.5	68.0	55.8	61.8
Técnico	0.0	0.0	0.0	1.8	0.0	0.8	0.0	0.0	0.0
University	0.0	0.0	0.0	0.0	0.0	0.0	1.0	3.8	2.4
Total (N=)	72	98	170	56	68	124	103	104	207

Source: Survey 2010

age-group of 14-17 years old, the group that is supposed to follow *medio* education, there is still about six percent that has had no further education than *básico* and 29% than *intermedio*.

Fourth, considering participation in education, there are youngsters that leave school premature or only participate in education part time (Figure 3.4). The older the youngsters, the less often they participate in education. From 21 years and older, less than half of the youngsters participate in education. However, most youngsters follow education until the age of eighteen. Within the group of participating youngsters, the older they get, the less often their only activity is following education. More often they have a job besides their studies. Between the age of eight and thirteen hundred percent of the residents are following education without any side activities, such as a job. However, at an older age often more than half of the participating group is attending school only part-time. This seems to happen earlier and more often concerning women. Within the group of non-participating youngsters, that are the ones that quit education at a certain age, most boys are going to work, while most girls are either going to work or are becoming housewives.

Figure 3.4: Age specific participation in education for men and women between 6 and 25 in the Zona 16 de Julio in 2010 (as percentage of total)

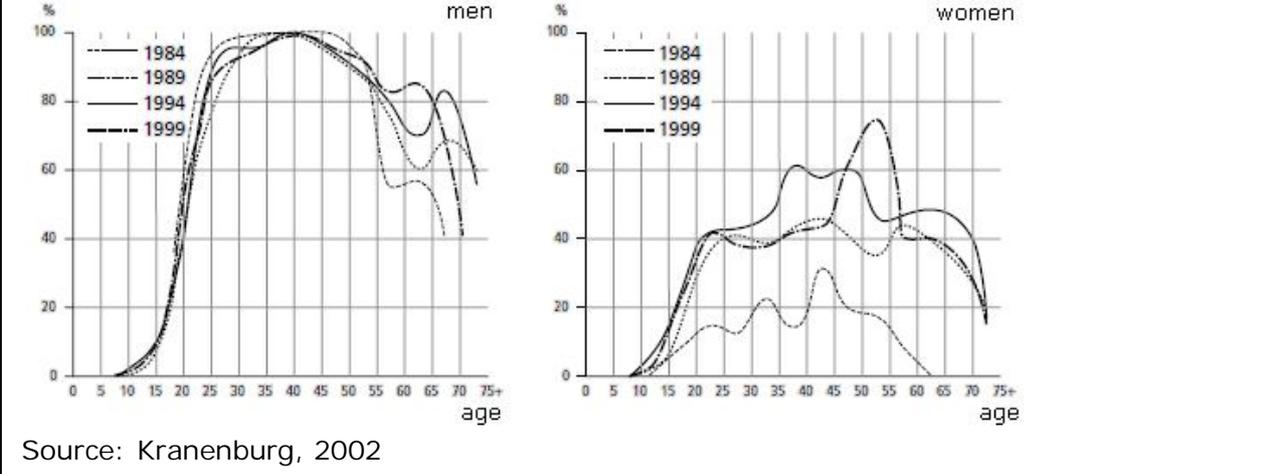


When comparing this situation with former data from 1992, the situation seems to have improved. While in 1992 leaving education started at an age of twelve with a steep descent from fourteen years onwards, in 2010 leaving school starts at an age of thirteen with a steep descent from nineteen years onwards. Also the big difference in educational participation between boys and girls, in disadvantage of the girls, is not so clear anymore in 2010.

3.2.2 Occupational structure

Developments with respect to participation on the labour market in the Zona 16 de Julio show three important aspects (Figure 3.5). First, men are more often participating than

Figure 3.5: Age specific participation on the labour market in the Zona 16 de Julio in 1984, 1989, 1994, and 1999 (seven years and older)

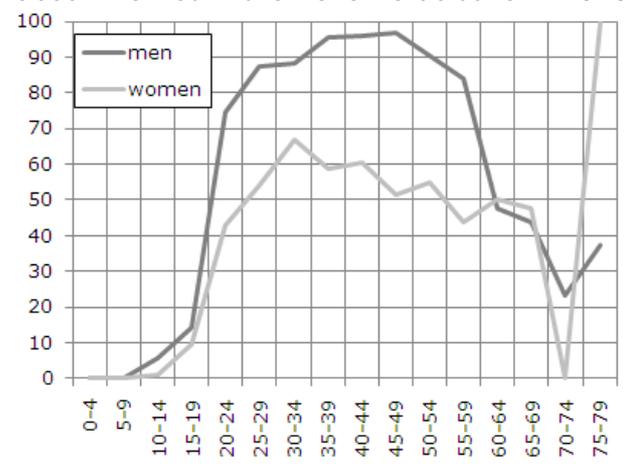


women. Second, through time men continue participating longer than before. And third, through time women are participating more often and continue participating longer than before.

A comparison with 2010 (Figure 3.6) shows the same trend. More men are participating than women in 2010. However, the amount of participating women increased compared to previous years. From 55 years there is a sharp decrease of participation with respect to men and from 65 years there is a sharp decrease of participation with respect to women.¹⁵

The longitudinal research also shows changes in the labour relations. As already mentioned, more men and women are participating on the labour market. However, due to economic restructuring in the eighties the amount of the population on the labour market participating as paid employee decreased considerably, while self-employment increased (Table 3.5), especially in the informal sector (Kranenburg, 2002).

Figure 3.6: Age specific participation on the labour market in the Zona 16 de Julio in 2010



Source: Survey 2010

Table 3.5: Labour relations in the Zona 16 de Julio in 1984, 1989, 1994, 1999, 2005, and 2010 (as percentage of total)

	1984			1989			1994		
	M	W	T	M	W	T	M	W	T
Employee	55	8	48	40	10	31	51	23	41
Day labourer	--	--	--	3	1	2	5	1	3
Self employed	39	90	46	54	85	64	39	73	51
Employer	6	0	5	2	0	1	3	0	2
Other	0	2	1	1	4	2	2	3	3
Total (N=)	349	62	411	355	153	508	386	219	605
	1999			2005			2010		
	M	W	T	M	W	T	M	W	T
Employee	50	25	43	25	17	22	40	30	36
Day labourer	3	5	3	13	6	10	7	1	5
Self employed	45	66	51	50	67	57	48	63	53
Employer	1	1	1	2	2	2	3	2	3
Other	1	3	2	10	8	9	2	4	3
Total (N=)	213	85	298	1,189	820	2,009	711	418	1,129

Source: Kranenburg, 2002 and Surveys 2005 & 2010

This counts more for men than women, because the amount of women participating as paid employees has increased while the amount of self-employed women has decreased. Apparently it becomes easier for women to enter the formal labour market, when they used to be more often self employed. However, in 2010 men as well as women are more often self employed than paid employed. Although it remains guessing, one can assume self employment often means informal employment and that many people are therefore informally employed in the Zona. Only about one third of the residents is employee, the rest works for themselves, these people probably are informally employed.

¹⁵ N.B. The sharp increase in participation considering women in the age group of 75-79 (See Figure 3.5) is misleading, there is only one case in this group.

This assumption is reinforced when taking into account job stability. The decrease of formal paid employment and the increase of self-employment had a negative effect on the stability of work (Table 3.6). After 1989 this

Table 3.6: Job stability in the Zona 16 de Julio in 1984, 1989, 1994, 1999, 2005, and 2010 (as percentage of total)

<i>M = Men W = Women T = Total</i>	1984			1989			1994		
	M	W	T	M	W	T	M	W	T
Permanent	88	73	86	63	70	64	63	59	61
Temporary	12	27	14	37	30	36	37	41	39
Occasional	--	--	--	--	--	--	--	--	--
Total (N=)	--	--	--	--	--	--	--	--	--
	1999			2005			2010		
	M	W	T	M	W	T	M	W	T
Permanent	64	67	65	64	62	63	65	62	63
Temporary	36	33	35	30	30	30	28	24	27
Occasional	--	--	--	6	8	7	7	14	10
Total (N=)	--	--	--	1,175	810	1,985	702	415	1,117

Source: Kranenburg, 2002 & Surveys 2005 & 2010

situation stabilised and also in 2010 the situation has not much changed. In 2010, only sixty percent of the economically active population has a permanent job, while others have a temporary or occasional job.

The foregoing showed that unemployment in the Zona 16 de Julio has decreased, since more people are participating on the labour market. However, more people found a job by being self-employed, which decreased the level of stability of employment.

El Alto used to be a city characterized by employment in the secondary sector, it used to be a city of industry.¹⁶ It still is, but employment in the tertiary and quaternary sector increased, especially due to the increased participation of women in the labour market, who apply themselves mostly to activities in the sectors of commerce or services. This sectoral division seems to be stabilised after at least 2004 (maybe earlier), because there are no big differences between 2005 and 2010 (Table 3.7).

Table 3.7: Employment per economic sector in the Zona 16 de Julio in 1984, 1989, 1994, 1999, 2005, 2010 (as percentage of total)

<i>M = Men W = Women T = Total</i>	1984			1989			1994			1999			2005			2010		
	M	W	T	M	W	T	M	W	T	M	W	T	M	W	T	M	W	T
Primary	6	-	6	4	-	2	3	1	2	1	1	1	1	0	1	2	1	1
Secondary	56	23	51	58	15	45	41	28	42	44	22	37	40	18	31	41	20	33
Tertiary	38	77	43	38	85	53	55	71	56	47	77	62	33	72	49	30	66	44
Quaternary													26	10	19	27	13	22
Total (N=)	349	62	411	355	153	508	386	219	605	203	85	288	952	698	1650	638	376	1014

Source: Kranenburg, 2002 and Surveys 2005 & 2010

Table 3.8 shows the occupations for men and women in the Zona 16 de Julio in 2010. The majority of the economically active population is working as a merchant. This can be in a shop, such as a small grocery store, bakery, butchery, or clothing shop, or in a more service related shop, such as a internet and phone calls centre or laundry, as well as selling on the street. However, table 3.8 also shows typical gender related occupations. Occupations such as driver or technical occupations such as a job in some technical/mechanical workshop, electrician, or bricklayer, score high in the list, but only because these jobs are mainly performed by men, because the majority of the women are occupied as a merchant. There are also occupations popular amongst both men as well as women, such as tailor and artist.

¹⁶ Primary sector: Economic sector that delivers raw materials and food: agriculture, cattle breeding, fishing, mining

Secondary sector: Industrial sector processing the raw materials of the primary sector: industry and handicrafts

Tertiary sector: Commercial services: shops, restaurants, theatres, lawyers, hairdressers and other commercial services

Quaternary sector: Non-commercial services, non profit: hospitals, fire department, police, and schools

Table 3.8: Occupations for men and women in the Zona 16 de Julio in 2010 (as percentage of total)

	Frequency	%	Frequency	%	Frequency	%
1 Merchant*	349	33.6	141	22.4	208	51.0
Sales person shop	70	6.7	38	6.0	32	7.8
Sales person service	19	1.8	6	1.0	13	3.2
2 Tailor	113	10.9	62	9.8	51	12.5
3 Driver	91	8.8	87	13.8	4	1.0
4 Workshop (Car mechanics, steel workshop, solder workshop, etc.)	80	7.7	80	12.7	0	0.0
5 Teacher	65	6.3	33	5.2	32	7.8
6 Employee**	57	5.5	50	7.9	7	1.7
7 Artist	44	4.2	27	4.3	17	4.2
8 Bricklayer	33	3.2	32	5.1	1	0.2
9 Electrician	24	2.3	24	3.8	0	0.0
10 Sales persons catering	23	2.2	4	0.6	19	4.7
11 Doctor, dentist, nurse, optician	18	1.7	10	1.6	8	2.0
12 Farmer, miner, fishermen	15	1.4	9	1.4	6	1.5
12 Baker	15	1.4	11	1.7	4	1.0
14 Policeman, soldier	14	1.3	12	1.9	2	0.5
15 Secretary	12	1.2	0	0.0	12	2.9
16 Cleaning company	11	1.1	5	0.8	4	1.0
17 Hairdresser	9	0.9	3	0.5	6	1.5
18 Architect, engineer	6	0.6	6	1.0	0	0.0
18 Employee in (local) government	6	0.6	4	0.6	2	0.5
18 Painter	6	0.6	2	0.3	4	1.0
21 Lawyer	5	0.5	3	0.5	2	0.5
21 Neighbourhood committee	5	0.5	3	0.5	2	0.5
23 Musician	4	0.4	3	0.5	1	0.2
23 Employee in fabric	4	0.4	3	0.5	1	0.2
23 Printing office	4	0.4	3	0.5	1	0.2
23 Plumber	4	0.4	4	0.6	0	0.0
27 Administrator	3	0.3	2	0.3	1	0.2
27 Doorkeeper	3	0.3	3	0.5	0	0.0
27 Importer	3	0.3	2	0.3	1	0.2
30 Construction	3	0.3	1	0.2	2	0.5
31 Nursery	2	0.2	0	0.0	2	0.5
31 Auditor	2	0.2	1	0.2	1	0.2
33 Office	1	0.1	0	0.0	1	0.2
33 Travel agency	1	0.1	0	0.0	1	0.2
33 Social work	1	0.1	0	0.0	1	0.2
33 Hatter	1	0.1	0	0.0	0	0.0
33 Shoemaker	1	0.1	0	0.0	0	0.0
Total (N=)	1,038	100%	630	100%	408	100%
* Of only some residents it is known whether they are merchant in a shop, the rest might be working in a shop or on the street						
** These respondents answered they are employee, but it is not known in what branch exactly						

Source: Survey 2010

Although the city of El Alto is mostly known as an industrial city, the economically active population in the Zona 16 de Julio is mainly occupied as a merchant. This could be explained by the nature of the neighbourhood and its function within the city. The Zona 16 de Julio is the economic heart of the city. Because of the presence of a weekly market, on which will be elaborated later, there is a lot traded in this neighbourhood, which makes industry less important in this part of the city.

3.2.3 Incomes

The foregoing has shown an increase of self-employment, which resulted in a decreased stability of work, which implies informality. This assumption is again reinforced by the type of income of the working population (Table 3.9). The amount of people with a fixed income decreased and in 2010 just over one third of the population has a fixed income. The rest has an eventual or daily income or only get paid for the amount of work they deliver.

Table 3.10 shows the development of the individual income between 1989 and 2010 in the Zona 16 de Julio. Considering the amount of income, it is always difficult to compare amounts of income through time, since a higher income does not have to mean a higher purchasing power. However, there are three important things to mention considering this table. First, men earn more money than women. Second, all incomes have increased between 1989 and 2010, but incomes of women more than those of men. The income of men increased with 518%, while the income of women increased with 757%. Third, this means that the differences in income between men and women decreased between 1989 and 2010. In 1989 men earned about 1.8 times more than women, while in 2010 they earn 1.4 times more.

Through time a bigger amount of households has more than one income source (Table 3.11). The amount of households with one income source decreased from 87% in 1984 to 48% in 2010, while the amount of households with two, three or more than three income sources

increased. The increase of the amount of household members with an income can be devoted to the increased participation of women on the labour market, as earlier mentioned in this section (see Figures 3.4 and 3.5). The amount of household members with an income is of course important for the level of the household income. More people with an income generate a higher total income, which means that a household has more money to spend.

Table 3.9: Type of income in the Zona 16 de Julio in 2005 and 2010 (as percentage of total per year)

	2005	2010
Fixed	42.3	37.7
Eventual	29.5	21.7
Daily wage	5.1	10.9
Piecework payment	13.4	15.6
Lump sum work	4.2	10.9
Other	5.5	3.2
Total (N=)	1,965	1,122

Source: Surveys 2005 & 2010

Table 3.10: Average individual income of men and women in the Zona 16 de Julio in 1989, 1994, 1999, and 2010 (in Bolivianos)

	1989	1994	1999	2005	2010
Men	190	404	588	840	1174
Women	101	213	376	554	866

Source: Kranenburg, 2002 and Surveys 2005 & 2010

Table 3.11: Number of household members with an income in the Zona 16 de Julio in 1984, 1989, 1994, 1999, 2005, and 2010 (as percentage of total per year)

	1984	1989	1994	1999	2005	2010
0	--	--	--	--	--	2
1	87	68	53	68	45	48
2	12	28	35	23	41	35
3	1	3	7	3	8	7
>3	0	1	5	6	6	8
Total 100% (N=)	404	390	379	207	943	693

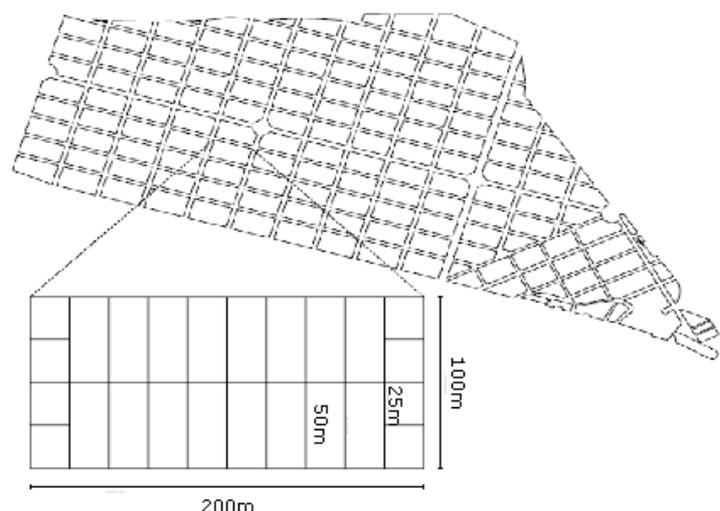
Source: Kranenburg, 2002 and Surveys 2005 & 2010

3.3 Residential characteristics

3.3.1 Original allotment and densification

Chapter two has shown that El Alto has gone through a process of rapid growth due to migration and natural growth. This resulted in an increasing pressure on space and therefore in a process of densification. In practice, for the Zona 16 de Julio this means an increasing amount of plots, a decreasing average surface per plot, and higher buildings (Kranenburg, 2002).

Figure 3.7: Original allotment in the Zona 16 de Julio



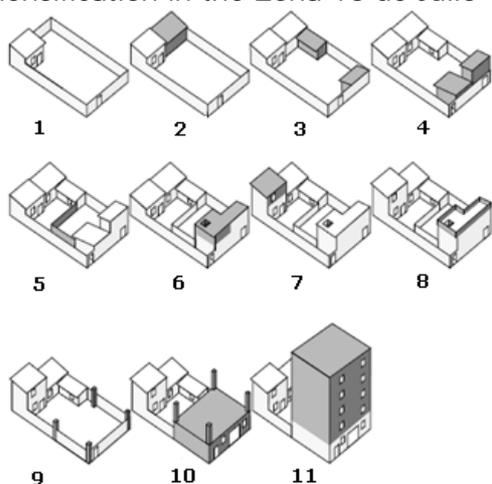
Source: Kranenburg, 2002

In spite of this process of densification, the original allotment of the Zona is still very visible. While parcelling out the Zona, blocks were created with a size of hundred by two hundred metres. These blocks were divided into sixteen plots of each twenty by fifty meters, and eight plots at the edge of the block of twenty by 25 meters (Figure 3.7).

Through time this original pattern of allotment in the Zona 16 de Julio condensed horizontally and vertically as a result of population growth and migration.

The horizontal component of the densification of the Zona

Figure 3.8: Horizontal and vertical densification in the Zona 16 de Julio



Adapted from: Kranenburg, 2002

refers to two trends. The first trend refers to the extension of the use of plots. Traditionally the first buildings on plots in the Zona 16 de Julio were built in the back of the plot. This is a traditional and rural way of building, what has been taken to the city by the migrants. Through time more houses were built on the plot for family or children. Eventually also the front of the plot was used (Figure 3.8). The advantage of building on the front side of the plot was that the ground floor could be used for economic activity.

The second trend of horizontal densification refers to the increasing amount of plots in the Zona as a result of the division of plots (Table 3.12). While the original allotment created blocks of 25 plots, in 2010 the average amount of plots per block in the Zona 16 de Julio was 59.6.

The increase in the amount of plots did not happen equally within the Zona 16 de Julio. In the more central part of the Zona (Villa 16 de Julio) horizontal densification started earlier.

Table 3.12: Amount of plots in total and per block in the Zona 16 de Julio (sorted by neighbourhood) in 1989, 1994, 1999, and 2010

	1989		1994		1999		2010	
	Total	Block	Total	Block	Total	Block	Total	Block
Villa 16 de Julio	3120	43.3	3339	46.4	3293	45.7	3594	49.9
Villa Ballivian	2770	47.6	3524	60.8	3516	60.6	3748	64.4
Villa Los Andes	1054	42.2	1874	75.0	1777	71.1	1902	76.1
Total Zona	6944	44.8	8737	56.4	8686	56.0	9244	59.6

Source: Kranenburg, 2002 and Survey 2010

However, although the process of horizontal densification in the other neighbourhoods started in a later stage, they have been through a bigger process of horizontal densification. One of the reasons for this is the construction of alleys (Figure 3.9). Because of the rural way of building and the division of plots, buildings in the back of the plot were not easy to reach, as the upper illustration of Figure 3.8 shows. Alleys have been constructed for buildings to have their own separate entrance. This resulted in even more ability to divide plots. This happened mainly in Villa Los Andes and parts of Villa Ballivian (Kranenburg, 2002).

Logically this process of horizontal densification resulted in smaller plots. Originally plots had a size of thousand square meters (twenty by fifty meters) or five hundred square meters (twenty by 25 meters). In 2005 plots were between 54 and 1000 square meters, with an average of 257 square meters, while in 2010 plots were between 80 and 650 square meters, with an average of 276 square meters.

Besides horizontal densification as a result of the division of plots and the increasing amount of buildings per plot, figure 3.7 also shows vertical densification as a result of building upwards. Figure 3.8 shows typical plot building in El Alto. Building starts at the back of the plot. Through time more buildings appeared on each plot (horizontal densification). Especially on the side of the street building also happens upwards (vertical densification). In the beginning houses in the Zona had only one floor, but from the 1990s floors were built on top (Kranenburg, 2002). Through time the amount of buildings with only one floor (the ground floor) has decreased, while the amount of buildings with two or more floors increased (Table 3.13). Most buildings in the Zona 16 de Julio consist of one or two floors, or in other the words, the ground floor and the first floor. High-rise buildings are mainly concentrated in the central part of the Zona, the Villa 16 de Julio. Outside this central part, in the neighbourhoods Ballivian and Los Andes, the rise of high-rise buildings is restricted to the main roads (Kranenburg, 2002).

As a result of horizontal and vertical densification plots consist of several different buildings with different amounts of floors, often occupied by different families. Vertical densification mainly occurs in the central parts of the Zona 16 de Julio (the market area and along the main roads), while horizontal densification mainly occurs in the more peripheral parts of the Zona.

3.3.2 Morphological characteristics

Horizontal and vertical densification and the increase of more and higher buildings on divided plots, could result in on the one hand more families per building, or on the other hand more space per family.

The average amount of families per building is three families. One to four families are the most common amounts (Table 3.14). In spite of the higher buildings, the majority of the families occupy only one or two floors (Table 3.15). Others occupy two or three floors. Only nine families occupy four floors and one family occupies sixth floors.

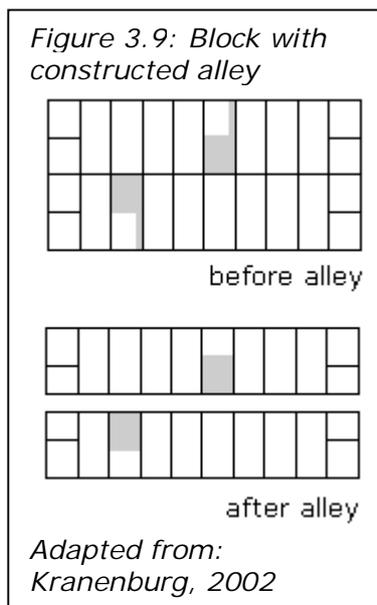


Table 3.13: Amount of floors per building in the Zona 16 de Julio in 1989, 1994, 1999, and 2010 (as percentage of total buildings per year)

	1	2	3	4	>4	N=
1989	55	37	6	1	0	6,839
1994	52	34	10	3	1	8,363
1999	46	36	11	5	2	8,622
2010	36	39	17	7	1	565

Source: Kranenburg, 2002 and Survey 2010

Through time households obtained more rooms to live in (Table 3.15). Especially remarkable is the fact that the amount of households that occupy only one room has decreased considerably between 1992 and 2010 and that the amount of households that occupy more than nine rooms has increased between 1992 and 2010. The average amount of rooms per family in 2010 is 3.88 rooms. Of these 3.88 rooms per family, on average about 2.22 are used only as dormitory. Most households have one to three dormitories (Table 3.15).

Table 3.14: Amount of families per building in the Zona 16 de Julio in 2010 (as percentage of total)

Amount of families	%
1	28.8
2	25.1
3	16.7
4	15.5
5	6.6
6	3.7
7	2.0
8	1.3
9	0.0
10	0.3
Total (N=)	701

Source: Survey 2010

Table 3.15: Amount of floors, rooms and bedrooms per household in the Zona 16 de Julio in 2010 (and 1992) (as percentage of total households)

	Floors	Rooms 1992	2010	Bedrooms
0	--	--	--	0
1	80	44	18	43
2	14	22	26	30
3	5	13	15	11
4	1	10	10	7
5	0	5	7	3
6	0	3	7	3
>6	--	3	17	3
Average	1.28	--	3.88	2.22
Total (N=)	634	11,920	663	665

Source: Kranenburg, 2002 and Survey 2010

Table 3.16: Households with a shower, toilet or kitchen in the Zona 16 de Julio in 1984, 1989, 1994, 1999, and 2010 (as percentage of total)

	16 de Julio					Ballivian					Los Andes					Total of the Zona				
	'84	'89	'94	'99	'10	'84	'89	'94	'99	'10	'84	'89	'94	'99	'10	'84	'89	'94	'99	'10
Shower	0	6	20	30	81	0	1	26	28	74	0	4	21	18	68	0	4	22	29	74
Toilet	4	77	88	100	92	10	53	80	92	96	0	63	71	76	97	6	65	83	92	95
Kitchen	--	--	--	--	96	--	--	--	--	93	--	--	--	--	93	--	--	--	--	94
Total (N=)	--	--	--	--	245	--	--	--	--	199	--	--	--	--	197	--	--	--	--	641

Source: Kranenburg, 2002 and Survey 2010

During the last decades the living circumstances of most families have improved considerably (Table 3.16). While in 1984 almost nobody had access to a shower or toilet, in 2010 almost everybody has access to at least a toilet. In the Villa 16 de Julio also many households do have a shower, while in Los Andes the share of households with a shower is lower.

Living circumstances in the Zona 16 de Julio also improved as a result of changing building materials. Houses used to be built with adobe, because this is a relative cheap and solid building material for the often extreme climate conditions in El Alto (Kranenburg, 2002). However, during the consolidation of the neighbourhood more houses have been built with bricks (Table 3.17). Bricks provide the owner with a higher status, since bricks are more expensive than adobe. A common way of building is the mixed use of materials. The ground and first floors are often still built with adobe, while second or higher floors are only built with bricks (Image 3.1). Bricks weigh less than adobe, and by building with both materials the risk of collapse of the house can be diminished. The floors of the houses in the Zona 16 de Julio are mainly made of wood or concrete (cement) (Table 3.17). For the ground floor and first floor sometimes there is made use of earth or bricks. However the main materials used for the floors changed through time. In 1994 the floors of most houses were still made of earth, like they used to be made (Kranenburg, 2002). About ninety percent of the roofs is made of corrugated iron. Other used materials are tiles/clay, flagstone/concrete, and hardboard. Thus, through time the most common used building materials have changed. More expensive and more luxurious materials are used, what reflects the degree of dwelling consolidation.

Table 3.17: Materials of the walls and floors of the buildings in the Zona 16 de Julio in 2010 (as percentage of total)

		0	1	2	3	4
Walls	Adobe	17	8	0	0	0
	Adobe with façade	19	10	0	0	0
	Bricks	34	45	57	51	20
	Bricks with façade	30	37	43	49	80
	Total (N=)	625	330	135	47	5
Floors	Earth	6	2	0	0	0
	Bricks	4	3	2	0	0
	Wood	38	70	75	70	67
	Concrete	52	23	20	25	33
	Other	0	2	3	5	0
	Total (N=)	624	304	132	40	3

Source: Survey 2010

Image 3.1: Typical building in the Zona 16 de Julio



In the front a house made with adobe, in the background a house made with bricks

3.3.3 Level of service provision

Improvement of living circumstances in the Zona 16 de Julio not only took place due to improved access to a shower, toilet or kitchen and due to improved building materials, but also as a result of improved access to basic services. The construction of basic services is an important factor, if not a requirement, of neighbourhood consolidation, since a higher level of service provision contributes to better living circumstances and better possibilities for entrepreneurship, and makes a neighbourhood economically more attractive.

As already mentioned in chapter two the first neighbourhood upgrading project in El Alto took place in the Zona 16 de Julio, which gave rise to the longitudinal research this study forms part of. This project, de HAM-BIRF project started in the 1980s with the construction of roads, electricity networks, tap water, and sewer systems.

The first service residents got access to was electricity, later also water and sewer systems (Table 3.18). Electricity was an important basic service for economic activity to come into existence. Almost everybody now has access to electricity, water and sewer systems. A few years ago there has been started to construct gas pipes as well in the Zona 16 de Julio. Already sixty percent of the households in 2010 has access to natural gas within their houses. This is an important factor for entrepreneurship as well, especially for the catering sector.

Table 3.18: Households with access to basic services in the Zona 16 de Julio in 1984, 1989, 1994, 1999, 2005, and 2010 (as percentage of total)

	1984	1989	1994	1999	2005	2010
Electricity	99	99	98	99	--	100
Water	5	95	98	100	--	97
Sewer	1	77	84	97	--	95
Gas	--	--	--	--	--	60
Total (N=)	--	--	--	--	--	729

Source: Kranenburg, 2002 and Surveys 2005 & 2010

3.3.4 Tenure relations

Kranenburg (2002) found important developments in the tenure relations in the Zona 16 de Julio. The parcelling out of land in El Alto was directed at owners, so the first residents of the Zona 16 de Julio were owners. They bought plots and later on built their own houses. Due to the increase in construction owners had a lot of spare space, but were not able to let out these rooms, because they were too expensive compared to the demand for space in the Zona. They let out these rooms to free tenants, mainly to the residents' family from rural areas. Real tenancy started later (Kranenburg, 2002).

Between 1984 and 2010 the proportions of owners and tenants more or less maintained the same (Table 3.19). However, the amount of free tenants decreased, while the amount of 'official' tenants increased.

Table 3.19: Changes in tenure relations in the Zona 16 de Julio in 1984, 1989, 1994, 1999, and 2010 (as percentage of total)

	1984	1989	1994	1999	2010
Owner	44	46	46	45	46
Tenant	27	25	21	39	34
Free tenant	29	29	33	16	19
Other	--	--	--	--	1
Total (N=)	412	388	389	215	686

Source: Kranenburg, 2002 and Survey 2010

In 2010, most residents in the Zona 16 de Julio are house owner, but the far majority of them do not have legal papers (Table 3.20). Besides the house owners there is also a big group of tenants. Tenancy, if not free, can be in the form of a tenancy contract, an anticretic contract,

Table 3.20: Tenure relations in the Zona 16 de Julio in 2010 (as percentage of total)

Owner	45	With legal papers	12
		Without legal papers	33
Tenant	33	Tenant	26
		Antichretic	5
		Mixed contract	2
Free tenant	19	With (grand)parents/parents-in-law	15
		With other family	4
		As employee	0
Other	3		3
Total (N=)			686

Source: Survey 2010

or a mixed contract. A tenancy contract means that the tenant is paying a monthly rent to the house owner, mainly in the national currency. An anticretic contract means that the tenant pays beforehand a certain amount of money to the house owner. This is mostly in US Dollars and will be returned when the tenant gives notice. An anticretic contract is favourable for the house

owner, since he receives a big amount of money all in once which he can invest, as well as for the tenant, since he practically lives for free (excepts inflation differences). Mixed contracts are a combination of both other contracts. However, anticretic and mixed contracts do not occur that often, most tenants rent by means of a tenancy contract. There is also a big group of free tenants, mainly in the form of living together with family, especially (grand)parents or parents-in-law.

Kranenburg argues that there is a relationship between the size of a home and the property relations. Tenants have smaller homes in terms of the amount of rooms than house owners (Kranenburg, 2002). This also is the case in 2010 (Table 3.21).

Table 3.21: Relationship between size of home and tenure relation in the Zona 16 de Julio in 2010 (as percentage of total)

	1	2	3	4	5	6	7	8	>8	Total (N=)
Owner	4	7	14	15	14	14	7	11	14	296
Tenant	31	41	16	7	2	1	1	1	0	222
Free tenant	27	43	17	4	2	2	3	0	2	127
										645

Source: Survey 2010

3.4 Functional characteristics

The previous sections have shown that the Zona 16 de Julio has been through and still is going through a major process of neighbourhood consolidation, in which densification occurred, the level of service provision increased, and the socio-economic level of the residents increased. The literature overview in chapter one has shown that the process of neighbourhood consolidation is accompanied by a process of urban transformation. As a result of a higher level of consolidation, the neighbourhood is economically more attractive for entrepreneurship and investment. This results in a process of urban transformation which consists of two aspects. First, the relative location changes, and second, the functional use of land changes.

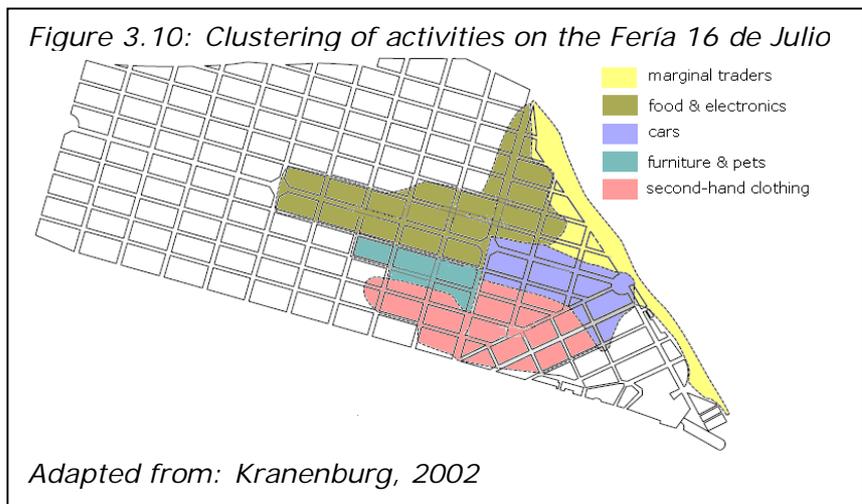
Due to the urban sprawl of the city of El Alto, the Zona has become the city centre and is completely consolidated. This has been an important aspect for economic activity in the Zona. Due to the central location of the Zona, the Zona is an economic attractive area and developed itself as the economic heart of the city of El Alto. The presence of a weekly market, the *Fería 16 de Julio*, is an important factor in this. It attracts a lot of people, also from outside the city, and makes the Zona economically attractive to entrepreneurs (Kranenburg, 2002).

3.4.1 The Fería 16 de Julio

Of big importance for the economic development of the Zona is the existence of the *Fería 16 de Julio*, the market which attracts every Thursday and Sunday many shoppers (Image 3.2). Already before El Alto became a place to live, business was done on the area which later would become the Zona 16 de Julio. The market at that time was very different from what it is now. It was only a market for trade in agricultural products. However, the current market is not restricted anymore to agricultural products. Almost no product exists which is not sold on the market nowadays. A very popular product nowadays is *Ropa Americana*, second-hand clothes from the United States. At Sundays the market attracts about 60,000 visitors who together spend about one million American dollars. One of the reasons the market attracts so many visitors is the sale of *contrabando*. These are products which have been smuggled into the country and therefore are tax free.



The market is well organized in several segments of different types of products (Figure 3.10). Through time an integration of activities on the market and the adjoining plots developed. Thus, the type of product sold on a particular segment of the market is also sold on the plots within that segment. This has advantages for the sellers. They save transport costs, since warehouses are closer located to the outlet. Because of their economies of scale, they attract a bigger amount of potential buyers who are specifically attracted by the type of product they sell and the low prices they offer. For potential buyers it has advantages as well. Because of the clustering of economic activities there is a bigger choice of products located in a smaller amount of space.



The clustering of economic activities only counts for the more central parts of the market. On the outskirts of the market, close to the railway, there are more marginal traders located, with all kinds of products, mostly second-hand with a low value (Kranenburg, 2002).

3.4.2 The functional use of land

Most land in El Alto has a residential function. However, land use for economic activity is increasing. The increasing use of land for economic activity to a great extent pushes aside the residential function: the Zona undergoes a process of transformation. Most enterprises came into existence on plots that once were only used for residential goals. Due to the increasing success of these enterprises they occupy more space, what sometimes even results in the disappearance of the residential function. However, in most cases plots know a mixed use of land, which means that besides economic activity the plot still has a residential function (Kranenburg, 2002).

Table 3.22: Function of plots in the Zona 16 de Julio in 2010 (as percentage of total)

	Villa 16 de Julio	Villa Ballivian	Villa Los Andes	Total
Exclusively residential	56	82	80	72
Economic activity	44	20	20	28
Institutions	1	1	2	1
Green space	0	0	0	0
Total (N=)	3597	3749	1901	9247

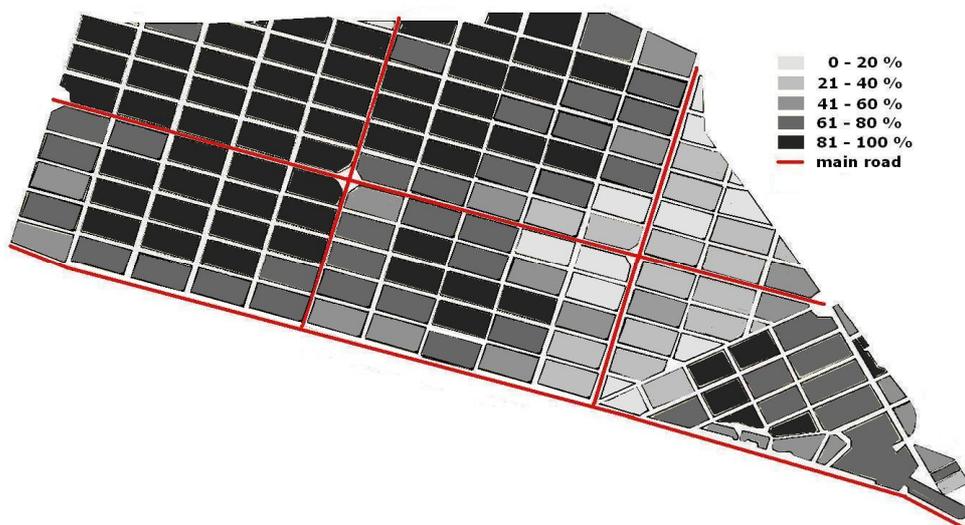
Source: Survey 2010

In 2010, most plots in the Zona 16 de Julio are still used exclusively for residential goals (Table 3.22). However, remarkable differences exist between the three neighbourhoods in the Zona. In Villa Ballivian and Villa Los Andes about

eighty percent of the plots is used exclusively for residential goals, in contrast with only 56% in Villa 16 de Julio. On the other hand, more than forty percent of the plots in Villa 16 de Julio is used for some kind of economic activity, while in Villa Ballivian and Villa Los Andes only twenty percent of the plots is used for economic activity.

Also within the three different neighbourhoods remarkable differences exist (Figures 3.11 and 3.12). Both figures show very clearly that land use is very differentiated within the Zona 16 de Julio, and even within the three neighbourhoods. The more central part of the Zona, the market area and the main roads are characterized by a bigger amount of plots used for economic activity, while the further away located parts of the Zona are characterized by a bigger amount of plots used exclusively for residential goals.

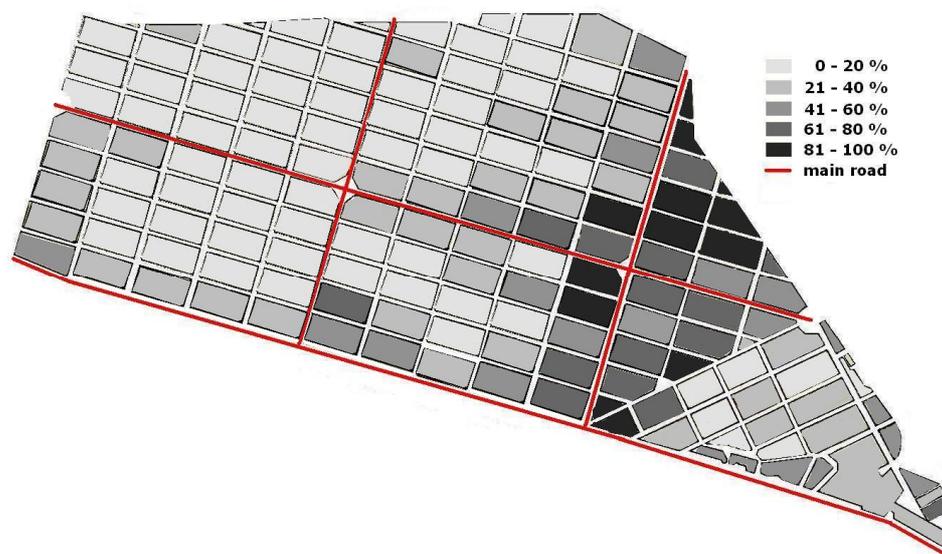
Figure 3.11: Percentage of plots with only residential function in the Zona 16 de Julio in 2010



Source: Survey 2010

N.B. Of several blocks some data is missing

Figure 3.12: Percentage of plots used for economic activity in the Zona 16 de Julio in 2010



Source: Survey 2010
 N.B. Of several blocks some data is missing

3.4.3 Economic activity

About 28% of the plots in the Zona 16 de Julio are used for economic activity and economic activity mainly takes place in the central and market area of the Zona. There are four important aspects to mention considering economic activity in the Zona 16 de Julio. First, the amount of economic activity per plot increased which resulted in an increasing amount of plots that are not used exclusively for one sector, but that are used for different economic activities within different sectors. Second, through time economic activities in the sector of commerce and services gained importance, while economic activity in the sector of industry and handicrafts decreased. Third, remarkable differences exist in amount and type of economic activity between the three different neighbourhoods in the Zona. And fourth, there are about 130 different occurring activities in the Zona, but just a few are the most popular.

To start with the first aspect, on the plots that are not exclusively used for residential goals, activities in the sector of commerce occur on 67% of the plots, service related activities occur on 29% of the plots, catering related activities occur on 12% of the plots, and activities in the sector of industry and handicrafts occur on 10% of the plots (Table 3.23). From this it turns out that a certain amount of plots can be characterized by mixed land use, because the percentages do not make hundred in total.

Table 3.23: Land use for economic activity in the Zona 16 de Julio in 1989, 1994, 1999, and 2010 (as percentage of plots that are not exclusively used for residential goals)

	1989	1994	1999	2010
Handicrafts & industry	30	20	18	10
Commerce	52	54	56	67
Catering	--	--	--	12
Services	18	26	26	29
Total (N=)	1,363	1,506	2,361	2,832

NB. In 1989, 1994 and 1999 the catering sector was included in the services sector (see overview in list of land use Appendix 3)

Source: Kranenburg, 2002; Survey 2010

Difference can be made between several activities on the same plot and several sectors in which economic activity takes place on the same plot. On about seventy percent of the plots where economic activity takes place, only one activity, one enterprise, is performed. On the other thirty percent of the plots two or more activities are performed (Table 3.24). On about eighty percent of the plots where economic activity takes place, only activities of one and the same sector are performed. On the other twenty percent of the plots activities in two or more different sectors are performed (Table 3.25).

Table 3.24: Amount of different economic activities per plot in the Zona 16 de Julio in 2010 (as percentage of total amount of plots where economic activity takes place)

	Villa 16 de Julio	Villa Ballivian	Villa Los Andes	Total Zona
1	72.3	75.6	63.4	71.8
2	19.3	16.8	23.2	19.2
3	6.1	4.9	8.9	6.2
4	1.4	1.3	2.6	1.6
>4	0.9	1.4	1.9	1.2
N=	1,490	671	380	2,541

Source: Survey 2010

Table 3.25: Amount of sectors in which economic activity takes place per plot in the Zona 16 de Julio in 2010 (as percentage of total amount of plots where economic activity takes place)

	Villa 16 de Julio	Villa Ballivian	Villa Los Andes	Total Zona
1	72.3	75.6	63.4	71.8
2	19.3	16.8	23.2	19.2
3	6.1	4.9	8.9	6.2
4	1.4	1.3	2.6	1.6
>4	0.9	1.4	1.9	1.2
N=	1,490	671	380	2,541

Source: Survey 2010

However, as the tables 3.24 and 3.25 show, remarkable differences exist between the three neighbourhoods within the Zona 16 de Julio. In Villa 16 de Julio and Villa Los Andes relatively more often more economic activities occur per plot. Especially in Villa 16 de Julio these activities relatively more often take place in the same sector. This can be explained by economic clustering, which is common in the Villa 16 de Julio due to the existence of the market 16 de Julio (Kranenburg, 2002). Section 3.4.1 already has shown that the market is well organized in several segments of different types of products and that an integration of activities on the market and adjoining plots developed (Figure 3.9).

Concerning the second aspect, the shift of economic activity between the different sectors, table 3.23 shows a decrease of the amount of plots with handicraft and industrial activities. According to Kranenburg (2002), a main reason for this is scaling up by bigger industrial companies outside El Alto and the import of goods from abroad. The decrease of the handicraft and small-scale industrial sector shifted employment to the sector of commerce. Running a shop gained more popularity and are mainly run by the same persons as industrial activities in earlier times. Most shops are small-scale, but the Zona is characterized by shops of national concern as well. These shops are mostly responsible for the expansion of products sold and the economic specialization in the Zona. Due to these shops many small-scale shops had to close down. The decrease of the handicraft and small-scale industrial sector also shifted employment to the sector of services. Rendering of services is a flourishing business in the Zona (Kranenburg, 2002).

Concerning the third aspect, remarkable differences exist between the three neighbourhoods within the Zona. Table 3.23 already showed that most economic activity in the Zona 16 de Julio takes place in the sectors of commerce and services. However, this counts more for the Villa 16 de Julio and Villa Ballivian than Villa Los Andes (Table 3.26). In Villa Los Andes relatively more economic activity takes place in the sector of industry and handicrafts, and relatively less economic activity takes

Table 3.26: Economic activity sorted by neighbourhood in the Zona 16 de Julio in 2010 (as percentage of total amount of plots where economic activity takes place)

	Villa 16 de Julio	Villa Ballivian	Villa Los Andes
Industry	9	9	17
Commerce	69	67	59
Catering	11	10	17
Services	29	28	30
Total (N=)	1,490	671	380

Source: Survey 2010

place in the sector of commerce compared to the other two neighbourhoods. This could be explained by the fact that the Villa Los Andes is a relatively small neighbourhood compared to the others and is directly located on one of the main roads of the city of El Alto, connecting El Alto and La Paz with the hinterland of Bolivia and Peru, whereby a relatively big part of the neighbourhood is part of the enterprise zone.

Concerning the fourth aspect, there are about 130 different economic activities that are performed in the Zona 16 de Julio. However, there are just a few that are the most popular. Table 3.27 shows the ten most common economic activities per neighbourhood. By far the most popular economic activity performed in each neighbourhood of the Zona 16 de Julio is a *tienda de barrio*, a so called small grocery store. These appear 651 times in the whole Zona, but occur relatively more often in the more marginal areas of the Zona (the Villa Ballivian and Villa Los Andes). Also, a very popular economic activity in all three neighbourhoods of the Zona is an internet and phone calls centre. Besides these two extremely popular economic activities that occur in all three neighbourhoods the most, big differences exist between the neighbourhoods with respect to other occurring economic activities. In the Villa 16 de Julio economic activity adjoins activity of the weekly market. Often occurring activities are clothing shops, car accessories shops, furniture shops, and shops with construction materials. These activities adjoin the specific clusters of the market. It also explains the presence of many deposits, used by entrepreneurs to store their goods. In the Villa Ballivian and Villa Los Andes many economic activities are more non-basic activities providing daily necessities and services to the local population. Although in Villa Los Andes also many car mechanics workshops can be found, due to the location next to the main road, connecting El Alto to La Paz and the hinterland of Bolivia.

Table 3.27: The ten most common economic activities per neighbourhood in the Zona 16 de Julio in 2010 (as percentage of total amount of occurring economic activities per neighbourhood in the Zona 16 de Julio)

Villa 16 de Julio		Villa Ballivian		Villa Los Andes	
Activity	%	Activity	%	Activity	%
Tienda de barrio	16	Tienda de barrio	26	Tienda de barrio	22
Internet / Phone calls	9	Internet / Phone calls	10	Internet / Phone calls	11
Clothing shop	7	Butchery	4	Restaurant	8
Car accessories	6	Textiles and sewing shop	4	Copy shop	6
Furniture shop	6	Traditional clothing shop	3	Car mechanics	5
Restaurant	6	Book store	3	Book store	3
Deposit	4	Restaurant	3	Disco / Ceremony room	3
Construction materials	3	Bakery	3	Butchery	3
Painting shop	2	Medical centre / Doctor	3	Hairdresser	2
Public toilet	2	Tailor	2	Medical centre / Doctor	2
Total (N=)	1887	Total (N=)	858	Total (N=)	572

Source: Survey 2010

Appendix 6 contains a complete overview of land use in the Zona 16 de Julio sorted by neighbourhood. The overview presents on how many plots a specific activity or function occurs.

3.5 Conclusion

The Zona 16 de Julio consists of some of the oldest and most consolidated neighbourhoods of the city of El Alto. El Alto is known as a migrant city. However, nowadays about sixty percent of the population in the Zona is born within the city of El Alto. Mainly the older generations are still the former migrants, while the younger generations are more often born in the city itself.

The Zona has been through and still is going through important processes of neighbourhood consolidation and urban transformation, which are clearly reflected in demographic, socio-economic, residential, and functional characteristics of the Zona, as this chapter has shown. To start with the first, the Zona 16 de Julio no longer has the always so young population that is a characteristic of developing countries. The population in the Zona becomes older. This is quite unique for a developing country, but also within the city of El Alto, whose population is somewhat younger than the population of the Zona. This could prove the consolidation of the neighbourhoods and the social development that is taking place as a result of it.

The process of neighbourhood consolidation in the Zona 16 de Julio is also reflected in socio-economic characteristics of the Zona. Through time the socio-economic level of the residents improved considerably. With respect to education, a lot improved in the Zona. The education attainment level of the residents increased, the educational participation increased, and gender differences in educational participation decreased. However, there are still persons without education or with a low level of education, and children that leave school premature. Also with respect to the labour market, a lot improved in the Zona. More people are economically active, more people stay longer economically active, and differences between men and women on the labour market decreased with respect to participation and income, since the labour market becomes easier accessible for women. However, many more people are nowadays self-employed, which often means they are informally employed. Three indicators show this importance of the informal sector. First, just over one third of the population is employee, which means that all the others are self-employed or day labourer. Self-employment, as already mentioned, often means informality. Second, only two third of the population has a permanent job, which means that only one third has a temporary or occasional job. And third, just over one third of the population has a fixed income. The rest has an eventual or daily income or gets paid for the amount of work delivered. In spite of the increasing participation on the labour market, labour relations, as well as job stability and the type of income show that many people only find a job by being self-employed, which is often informal and insecure. Most people are working as a merchant, especially women. Other common occupations are drivers and technical jobs for men, and tailors and artists for both men as well as women.

Neighbourhood consolidation is also reflected in the residential characteristics of the Zona 16 de Julio. As a result of rapid growth and an increasing pressure on space, the Zona 16 de Julio has been through and still is going through a process of densification, both horizontally as a result of the division of plots and the extensive use of plots, as well as vertically, as a result of higher buildings. This resulted in an increased amount of space per household. Households have managed to occupy more floors, rooms, and bedrooms, and often got access to a shower, a toilet, and a kitchen. Living circumstances also improved, with respect to improved building materials and an increased level of service provision. Many houses are now built with bricks, that provide the owner with more status, instead of adobe, a relatively cheap building material. Almost all households have access to electricity, water, and sewerage, and about sixty percent already to natural gas.

The above mentioned characteristics reflect very clearly the process of neighbourhood consolidation in the Zona, in which densification occurred, the level of service provision increased, living circumstances improved, and the socio-economic level of the residents increased. This process of neighbourhood consolidation is accompanied by a process urban transformation. As a result of a higher level of consolidation, the Zona became economically more attractive for entrepreneurship and investment. This resulted in a process of urban transformation in which the relative location of the Zona changed and the functional use of

land in the Zona changed. Due to the urban sprawl of the city of El Alto, the Zona now is the city centre and completely consolidated. This has been an important aspect for economic activity in the Zona. Due to the central location of the Zona, the Zona is an economic attractive area and developed itself as the economic heart of the city of El Alto. The presence of a weekly market, the *Feria 16 de Julio*, is an important factor in this. It attracts a lot of people, also from outside the city, and makes the Zona economically attractive to entrepreneurs. The economic attractiveness of the Zona expresses itself in the functional change of land use and the growing economic activity in the Zona. First, more plots in the Zona are used for economic activity, while the plots only used for residential goals are decreasing. This happens mainly in the Villa 16 de Julio, which is the more central located neighbourhood of the Zona, and along the main roads. Second, the amount of economic activities per plot is increasing, which results in mixed land use or sometimes even a disappearance of the residential function of a plot. Third, more often different activities within different economic sectors occur on the same plot. And fourth, the sector of commerce is the most popular sector for economic activity. However, remarkable differences exist between the different neighbourhoods of the Zona concerning the amount of economic activities and the type of economic activities. The more centrally located neighbourhood, the Villa 16 de Julio, can be characterized by more economic activity divided amongst less different economic sectors, due to economic clustering and an arsenal of economic activity that is integrated with the type of products sold on the market. The more marginal neighbourhoods can be characterized by less economic activity, but more non-basic activities, serving the local population, within relative more different sectors.

This chapter showed that the Zona 16 de Julio has been through and still is going through a process of neighbourhood consolidation, in which densification occurred, the level of service provision increased, and the socio-economic level of the residents increased, accompanied by a process of urban transformation, in which the relative location of the Zona changed and the Zona became economically more attractive reflected in increasing economic activity and an increasing diversity of economic activity.

This chapter focussed on the processes of neighbourhood consolidation and urban transformation in the Zona 16 de Julio ending with an analysis of land use for economic activity and entrepreneurship. The next chapter zooms in on the specific group of people that uses their house for economic activity, the so called home-based enterprises.

4 Home-based enterprises in the Zona 16 de Julio

Home-based enterprises (HBEs) are a common phenomenon in developing countries. Connections exist between home-based entrepreneurship and informality and between home-based entrepreneurship and neighbourhood consolidation. In the Zona 16 de Julio a lot of economic activity and a lot of economic entrepreneurship is going on. Many economic activities are micro enterprises. Many of these enterprises might be realized within the homes. This chapter further zooms in on the specific group of people that uses their houses for their enterprise, which is an important group, since it involves many households in the Zona. The chapter deals with the frequency, location, variety, motives, organization and continuity of home-based enterprises and answers the sub question of this study: *What is the frequency and variety of home-based enterprises undertaken in the Zona 16 de Julio and in what ways do households organize their home-based enterprises?*

The first section deals with the frequency and location of HBEs in the Zona, or in other words the amount of households with a HBE and where they are located. The second section goes into the variety and motives of HBEs. This section discusses the type of HBE operated, differences between different neighbourhoods and the motives for starting or operating a HBE. The third section discusses the organization of HBEs concerning the size of the business, the international organization and employment relations, the invisibility of HBEs, the skills of the entrepreneurs, the income of HBEs, investment and credits, and the separation of consumption and production. The fourth section, finally, deals with the continuity of HBEs and analyses the maintenance, failure and change of nature of HBEs.

4.1 Frequency and location of home-based enterprises

The literature overview in chapter one has shown that low estimates claim that about 25% of urban households operate a HBE, while high estimates claim that about 77% of urban households operate a HBE (Verrest, 2007). In the Zona 16 de Julio about 20% of the households operate some kind of enterprise within their houses. However, remarkable differences exist between the three different neighbourhoods the Zona consists of (Table 4.1). One would expect that the Villa 16 de Julio would have relatively more households with a HBE compared to the other two, since this is the more centrally located neighbourhood, the economic heart of the city, and the neighbourhood where most economic activity takes place, as chapter three has shown. However table 4.1 as well as figure 4.1 do not support

Table 4.1: Percentage of households with a HBE in the Zona 16 de Julio in 2010

	Villa 16 de Julio	Villa Ballivian	Villa Los Andes
HBE	17	27	18
No HBE	83	73	82
Total (N=)	284	217	222

Source: Survey 2010

this assumption. There indeed is a significant relation between the percentage of households with a HBE and the neighbourhood. However, significantly more HBEs can be found in the Villa Ballivian than in the other two neighbourhoods.¹⁷

¹⁷ Chi-Square test, significance level = 0.011, Cramer's V = 0.112

Figure 4.1: Percentage of households performing a HBE in the selected blocks in the Zona 16 de Julio in 2010



Source: Survey 2010

Although most economic activity takes place in the market area and along the main roads, as chapter three has shown, there are relatively more households with a HBE in the Villa Ballivian. The reason for this is that the market area (located in Villa 16 de Julio) is such an economic attractive location that it probably attracts a lot of foreign entrepreneurs that do not live on the same place as they operate their business. In total there are twelve for the study selected blocks that are located in the market area (blocks 4, 12, 17, 20, 24, 33, 34, 51, 54, 57, 59, and 91, see figure 4.1). During a market day on 68% of the plots in this area economic activity occurs, while on a non-market day on only 33% of the plots there economic activity occurs. There is considerably more economic activity on a market

Figure 4.2: Difference in economic activity between a market day and a non-market day, example of a block that does not border a main road in the Zona 16 de Julio in 2010



Source: Study 2010

day than on a non-market day. From this one could assume that the owners of the businesses in this area do not live on the plots, but only come on market days to open their businesses. In this case it would mean that the business is not a home-based enterprise. However, it is an assumption and it could also mean that there is only money in it when there is market, and shops are only open on the market days, whether or not the owner of the business lives on the plot or not.

A closer look on blocks that are located in the market area, shows that remarkable differences exist between blocks that border a main road and blocks that do not border a main road (for the main roads

see figure 4.1). The difference between economic activity on a market day and a non-market day seems bigger in blocks that do not border a main road than blocks that border a main road. In blocks that border a main road approximately on 82% of the plots economic activity occurs on a market day, while on 69% of the plots economic activity occurs when there is no market. In blocks that do not border a main road approximately on 62% of the plots economic activity occurs on a market day, while on only 20% of the plots economic activity occurs when there is no market. Thus, the differences in economic activity between a market day and a non-market day are smaller in blocks that border a main road.

Figure 4.3: Difference in economic activity between a market day and a non-market day, example of a block that borders a main road in the Zona 16 de Julio in 2010

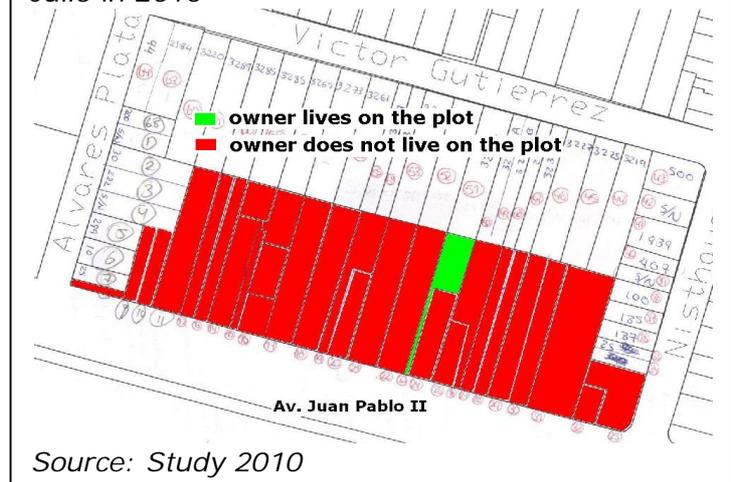


Apparently economic activity along the main roads is less market dependent. Figure 4.2 shows an example of a block that borders a main road, while figure 4.3 shows an example of a block that does not border a main road.

Apparently it are mainly the main roads that attract many 'foreign' entrepreneurs that probably do not live on the place they work. In all the selected blocks that border a main road (not only those in the market area of the Villa 16 de Julio, but also in the other neighbourhoods), on ninety percent of the plots where there is economic activity, the owner of the business does not live on the same plot as the business. Figure 4.4 shows an example of a block that borders a main road (located in Villa 16 de Julio). In other words, ninety percent of the enterprises in the blocks that border a main road are not home-based.

In sum, about twenty percent of the households in the Zona 16 de Julio performs a HBE. Although most economic activity takes place in the market area (located in the Villa 16 de Julio) and along the main roads as mentioned in chapter three, most HBEs cannot be found in these areas. A short analysis of the market area and the main roads shows that remarkable differences in the amount of economic activity can be found between a market day and a non-market day. This especially counts for blocks that do not border a main road. This assumes that many entrepreneurs do not live on the same place as they work, especially along the main roads, where ninety percent of the entrepreneurs only comes to work. The explanation for the fact that relatively less HBEs are to be found in the centrally located areas of the Zona, where

Figure 4.4: Example of inventory of HBEs in a block that borders a main road in the Zona 16 de Julio in 2010



most economic activity takes place, must be found in the economic attractiveness of this area, that attracts many 'foreign' entrepreneurs.

4.2 Variety of and motives for home-based enterprises

Table 4.2: Type of HBE sorted by neighbourhood in the Zona 16 de Julio in 2010

	Villa 16 de Julio	Villa Ballivian	Villa Los Andes	Total Zona
Handicrafts	36	44	43	41
Commerce	48	37	43	42
Catering	8	4	12	7
Services	8	15	2	10
Total (N=)	48	59	40	147

Source: Survey 2010

HBEs appear in all economic sectors except agriculture and mainly take place in the sectors of commerce, and industry and handicrafts (Table 4.2), which is not consistent with economic activity in general in the Zona, because chapter three has shown that most economic activity takes

Image 4.1: A tienda de barrio



place in the sectors of commerce and services. Apparently, some activities lend themselves more for being performed within the home than others. Of all 130 appearing economic activities in the Zona 16 de Julio (see list of land use, Appendix 3), there are only 37 activities that are also performed within the home. (Table 4.3). By far the most performed HBEs are *tiendas de barrio*, which are small grocery stores (Image 4.1), and tailors.

The tables 4.2 and 4.3 also show some differences in the type of HBEs and the specific activities performed between the three neighbourhoods. In the Villa 16 de Julio relatively more HBEs are performed in the sector of commerce, while less in the sector of industry and handicrafts. In the Villa Ballivian and Villa Los Andes relatively more HBEs are performed in the sector of handicrafts and industry. In the Villa Ballivian relatively less HBEs are performed in the sector of commerce and catering, while in the Villa Los Andes relatively less HBEs are performed in the sector of services.¹⁸

¹⁸ A Chi-square is not possible, due to the lack of meeting statistical requirements

Table 4.3: HBEs in the Zona 16 de Julio in 2010

Villa 16 de Julio		Villa Ballivian		Villa Los Andes		Total Zona	
Activity	%	Activity	%	Activity	%	Activity	%
Tienda de barrio	28	Tailor	22	Tailor	25	Tailor	24
Tailor	26	Tienda de barrio	14	Tienda de barrio	18	Tienda de barrio	19
Phone calls centre	6	Artist	10	Artist	8	Artist	8
Restaurant	6	Carpenter	8	Restaurant	8	Textiles shop	6
Artists	6	Textiles shop	7	Textiles shop	8	Carpenter	5
Textiles shop	4	Traditional clothing shop	5	Welder	5	Restaurant	5
Industrial clothing shop	4	Industrial clothing shop	3	Bakery	5	Phone calls centre	3
Car accessory shop	4	Phone calls centre	3	Carpenter	3	Bakery	3
Carpenter	2	Bakery	3	Bar	3	Industrial clothing shop	3
Wood workshop	2	Fabric	2	Fruit shop	3	Traditional clothing shop	1
Bakery	2	Restaurant	2	Book store	3	Welder	1
Oil shop	2	Disco/Ballroom	2	Shop with household materials	3	Car accessory shop	1
Furniture shop	2	Hatter	2	Games shop	3	Book store	1
Public toilet	2	Book store	2	Workshop of sign boards	3	Laundry	1
Construction materials shop	2	Gift shop	2	Shop with shop materials	3	Workshop of sign boards	0.7
		Plants shop	2	Laundry	3	Wood workshop	0.7
		Sports club	2	Games room	3	Fabric	0.7
		Doctor	2			Bar	0.7
		Laundry	2			Disco/Ballroom	0.7
		Cleaning company	2			Games room	0.7
		Hairdresser	2			Oil shop	0.7
		Money lending	2			Fruit shop	0.7
		Reparation service	2			Hatter	0.7
						Shop with household materials	0.7
						Gift shop	0.7
						Games shop	0.7
						Plants shop	0.7
						Construction materials shop	0.7
						Furniture shop	0.7
						Shop with shop materials	0.7
						Public toilet	0.7
						Sports club	0.7
						Doctor	0.7
						Cleaning company	0.7
						Hairdresser	0.7
						Money lending	0.7
						Reparation service	0.7
Total (N=)	47	Total (N=)	59	Total (N=)	40	Total (N=)	146

Source: Survey 2010

Thus, HBEs in the Zona 16 de Julio are concentrated in a few activities, but spread across several sectors. Most HBEs are performed in the sectors of commerce and handicrafts and industry, while the most occurring activities are tailors and small grocery stores. The types of HBEs in the Zona 16 de Julio and the division of them within the neighbourhoods is not consistent with economic activity in general in the Zona as analysed in chapter three. Apparently some activities are more suitable for being performed within the home than others.

Table 4.4: Motives of starting/operating a HBE in the Zona 16 de Julio in 2010

Motive	%
Economic needs	73
To have a job (at home)	6
(Studies of) children	6
Accessibility / Easiness	4
Habit	3
'Vivir bien'	3
Experience (1 case)	0
Liking the job (1 case)	0
Saving money (1 case)	0
Paying debts (1 case)	0
Total (N=)	147

Source: Survey 2010

These might be activities that are more accessible and require less experience and money, as the next section will show. However, this is not the main reason for starting or operating a HBE. The far majority of the households start or operate a HBE out of economic reasons (Table 4.4). About three quarters of the households mention these economic motives, such as economic needs, being able to make ends meet, and being able to pay for costs of making a living and maintaining a family, such as food and rent. However, there are several other motives mentioned by the households, such as having a job (at home), studies, children, accessibility, habit, and 'vivir bien'. But each of these have been mentioned by less than ten percent of the households (Text box 4.1).

"I need to maintain my family. My husband has a job as well, but is not earning that much money. We both need to have a job. ... For the children, their studies. (...) If we do not work, there is no money."¹⁹

"First of all, I have several jobs. (...) Sometimes there is work, sometimes there is not. When there is work, I close the shop. (...) Every year we close the shop for three, four months. (...) I am painter, electrician, plumber. (...) Sometimes there is work, when they call me, the architects, I go. And when I am working I close the shop."²⁰

"(...) lack of work. We could not find a job, therefore we started our own idea of making our own incomes."²¹

Box 4.1: Sonia – Bookstore / Phone calls centre

Sonia lives in the Villa Ballivian in El Alto. Since one month she is owning a bookstore and phone calls centre. When Sonia became a widow ten months ago, she needed to find a job. Before she was a housewife and her husband worked. But now her husband is gone, she and her four studying children need to get on with their life. Sonia wants to earn her own money and to feel useful. Now she has her own shop, she found something that distracts her and makes her earn some money for her and her children, although it is still not enough to maintain the family.

4.3 The informal organization of home-based enterprises

The literature overview in chapter one has shown that HBEs are often small and marginal and considered to be part of the informal sector. This is definitely true for HBEs in the Zona 16 de Julio in El Alto. According to Tipple (2005) there are several aspects to characterize activities in the informal sector (see table 1.2). This section analyses the organization of HBEs in the Zona 16 de Julio by means of the characterization of Tipple. These characteristics are the size of the business, the internal organization and employment relations of the business, registration, skills, income, investments and credits, and consumption and production.²²

¹⁹ Interview Household 13, 2010

²⁰ Interview Household 4, 2010

²¹ Interview Household 8, 2010

²² N.B. The last characteristic according to Tipple is the range of activities. However, section 4.2 already discussed this aspect.

4.3.1 The size of home-based enterprises

Literature on the informal sector is clear that informal enterprises tend to be small. This is usually measured by the number of workers. However, the cut-off point for smallness is dependent on the branch of economic activity. Five workers in a fabric may be little, while five workers in a small grocery store may be a lot (Tipple, 2005).

It is evident from Table 4.5 that HBEs in the Zona 16 de Julio are small with respect to the amount of workers. The amount of workers in the HBEs varies between one

Table 4.5: Number of workers in HBEs in the Zona 16 de Julio in 2010 (as percentage of total)

	Handicrafts & industry	Commerce	Catering	Services	Total HBEs
1	18	45	40	44	34
2	39	40	30	55	40
3	14	9	20	0	11
4	22	2	10	0	10
>4	7	4	0	0	5
Average	2.69	1.89	2.00	1.55	2.19
Total (N=)	51	53	10	11	125

Source: Survey 2010

and ten with an average amount of 2.2 employees. However, remarkable and significant differences exist in the amount of workers between different sectors. HBEs in the sectors of commerce and services tend to be smaller than HBEs in the sectors of handicrafts and industry, and catering. Not all differences are significant, but HBEs in the sector of handicrafts and industry significantly have more workers than HBEs in the sector of commerce.²³

4.3.2 Internal organization and employment relations

Section 2.1.3 mentioned that worker in HBEs are often considered to be young. HBE operators in the Zona 16 de Julio are between 19 and 78 years old, with an average of 43.6 years old. This age is slightly higher than that of heads of other households, their average age is 38.8.²⁴

In the informal sector the owner of the business is often worker and manager at the same time. Labour relations, in case there is more than one worker, are mainly based on informal relationships, such as family and kinship, rather than formal contracts. This often also means that working hours are long, there is flexibility in working hours and the workers are unprotected (Tipple, 2005).

HBE households are slightly bigger than other households. HBE households count on average 4.24 members, while other households count 3.75 members. The daily responsibility as well as the administration and the main experience of HBEs in the Zona 16 de Julio are mainly in the hands of the head of the household or his/her wife/husband (Table 4.6). Sometimes these tasks are carried out by another family member. Seldom these are carried out by formal employees.

Table 4.6: Responsibility, administration and experience in HBEs in the Zona 16 de Julio in 2010 (as percentage of total)

	Daily responsibility	Administration	Main experience
Head of household	62.3	58.9	56.8
Husband/Wife	32.6	34.1	33.8
Children	3.6	3.9	4.3
Brother/Sister	1.4	1.6	2.2
Parents	0.0	0.8	0.7
Other relatives	0.0	0.0	0.7
Employee	0.0	0.0	0.0
Other	0.0	0.8	1.4
Total (N=)	138	129	139

Source: Survey 2010

²³ One-Way ANOVA (significance level = 0.007) and Post Hoc Multiple Comparisons tests (significance level = 0.016)

²⁴ Independent Samples T-Test: significance level = 0.000

In about ninety percent of the cases the person that carries out the daily responsibility of the HBE is also the person that administrates and has the main experience (Table 4.7). This

Table 4.7: Percentages of responsible persons that also administrate and have the main experience in the HBE in the Zona 16 de Julio in 2010

		Responsibility	
		Head of household	Husband/Wife
Administration	Head of household	89.9	8.9
	Husband/Wife	9.5	88.1
Experience	Head of household	88.1	7.1
	Husband/Wife	6.8	90.9

Source: Survey 2010

means that in about ninety percent of the HBEs these three tasks are carried out by the same person.

In the majority of the HBEs in the Zona

Table 4.8: The sex of the responsible person of the HBE in the Zona 16 de Julio in 2010 (as percentage of total)

	Male	Female	Total (N=)
Industry/Handicrafts	73	27	56
Commerce	41	59	9
Catering	22	78	54
Services	50	50	12
Total	54	46	131

Source: Survey 2010

this person is a men (Table 4.8). However, this is mainly because in the sector of industry and handicrafts most HBE operators are men. Section 4.2 has shown that activities in this sector are tailor, carpenter, or jobs in a workplace. These are mainly jobs carried out be men. In the sector of commerce and the sector of catering, most HBE operators are

female. Jobs in shops or restaurants are mainly carried out by women. HBEs in the sector of services are carried out by as many men as women.²⁵

The labour relations in HBEs in the Zona 16 de Julio are mainly based on family

Table 4.9: Workers in HBE in the Zona 16 de Julio in 2010 (as percentage of total)

Member	%
Head of household	17
Husband/wife	24
Children	31
Brother/sister	10
Parents	2
Other relatives	3
Employee	8
Other	5
Total (N=)	129

Source: Survey 2010

relationships. In cases there is more than one worker involved in the HBE, the HBE operator is mainly helped by other family members rather than external (paid) employees (Table 4.9). The operator is mainly helped by the spouse, either the head of the household when the wife/husband is responsible, or the wife/husband when the head of the household is responsible, or by the children. Only eight percent of the households make use of external (paid) employees. This means that in 92% of the cases there is made use of the family as the only labour force.

Another characteristic of the informal sector is long working hours. HBE operators in the Zona 16 de Julio are spending between 8 and 112 hours per week on the HBE.

The average amount of time spent on the HBE is 41 hours per week. Operators are spending between 2 and 7 days per week on the HBE. The average amount of days spent on the HBE is 5.5 days. Of course based on these data it is impossible to say whether 41 hours in 5.5 days are long working hours if there is no comparison made with people that are having other jobs. All working persons together spend between 6 and 126 hours on their job per week, with an average of 43 hours per week, and between one and seven days per week, with an average of 5.4 days. This comparison does not suggest that the working hours spent on HBEs are relatively longer than working hours spent on other jobs.²⁶

However, some households indeed make long days working in their HBE. This especially turned out from the in-depth interviews. Many of them wake up at five or six in the morning to prepare everything for their work and close the shop at ten or eleven at night. The longer they are open, the more income they are able to generate.

"I wake up in the morning at five. First of all I clean the shop and put the things outside until 07.30h. (...) Normally I buy the things on Saturday mornings. And if not

²⁵ Due to a lack of meeting the statistical preconditions, A Chi-square test cannot be performed.

²⁶ The analyses have been done based on two variables, therefore it is not possible to test statistical significance.

*any other day during the week. (...) Things they do not bring to my shop I have to search for myself. (...) After that I am alone in the afternoons, because my children go away. They all go studying.*²⁷

4.3.3 Registration

One of the most clear aspects of businesses in the informal sector is the lack of registration. Many informal-sector enterprises tend to be 'invisible', meaning that they are often not officially registered. Especially HBEs are often unregistered, especially when it suits them to be so (Tipple, 2005).

About sixty percent of the HBEs in the Zona 16 de Julio is not registered. However, this percentage might be underestimated for two reasons. First, some households consider their HBE as registered when they are somehow paying taxes or have asked for a license at the municipal government, but when they are not officially registered for example in the chamber of commerce. And second, households seem to be reluctant to be honest about their HBE being registered or not due to fear of being illegal and being forced to close down.

No significant differences exist between being registered and the size of the HBE, the income generated by the HBE, and the amount of months the HBE exists. In other words there does not seem to be a point at which the HBE reach a certain stage that registration is necessary or desirable. This means that the reasons for not being registered must be found somewhere else.

One of the reasons is that there seems to be a lot of confusion amongst households about how to register the HBE. Some households think that they have to pay a certain amount of money per month or year to the municipal government, but do not know exactly how, others think that members of the municipal government themselves are visiting houses door by door to ask them to register their business, others think that it is not necessary for such a small business they are operating to register, and others think that it is not necessary at all since they are already paying taxes for the house they own.

*"No, not yet (...) the municipal government, they are only charging those that are located on the main roads, but they have not yet come to charge us (...) [I won't register] until the municipal government comes, because the papers, I don't know them".*²⁸

*"They have told me that I have to be registered, but my business is not big either, so maybe when I have more machines, more employees, maybe, yes..."*²⁹

Another reason according to the households is that registration is not necessary at all, because nothing will happen when they are not registered, since there is little control. Thus, there are several reasons households have for not being registered, mainly related to confusion about how to register and the conviction that is not necessary for their business because they are too small or nobody will come to control them.

Fundempresa, the organization involved in the organization and management of the commercial register in Bolivia, argues that the choice between being registered or unregistered mainly has to do with mentality, which is culturally determined. About sixty percent of the population operates in the space of informality, because it is their comfort zone. They feel reluctant to enter formality due to the fear of another costs item. Therefore they feel better with staying informal. Many entrepreneurs start something as a survival strategy to find a means of living and many are scared to register themselves, since they have the feeling that it would not serve them to be registered. Many entrepreneurs act out of survival and have small marginal businesses, that only serve the local market and have no desires to grow and export. Registration would be a superfluous luxury. This is accompanied by the ambition people have and their ideas of quality of life, what Fundempresa calls the cultural aspect. They mention that many families are satisfied with what they have and do not want to create opportunities in order to expand their businesses.

²⁷ Interview Household 11, 2010

²⁸ Interview Household 5, 2010

²⁹ Interview Household 16, 2010

They are in a comfort zone they know, which generates just enough money to make a living. So according to Fundempresa, the choice of being informal and unregistered does not only have to do with reluctance and the feeling that registration would not serve the business, but also with a strong cultural aspect that determines whether people are willing to get out of their comfort zone in order to expand their business.³⁰

PROMOVER also emphasizes the importance of a comfort zone in which people operate. Registration will mean eventually that an entrepreneur needs to have a balance of payments and results of sales, what many entrepreneurs do not manage formally and what eventually also involves some extra costs. PROMOVER also stresses that many entrepreneurs in advance have fears concerning taxes. However, according to PROMOVER, many entrepreneurs are not (yet) willing to get out of their comfort zone due to a lack of knowledge of the advantages of being registered. The advantages of being registered could be access to services of the municipal government, access to better inputs, patent on the business name, and eventually a better management of the business due to all the necessary preparations.³¹ Indeed many entrepreneurs do not have knowledge of the advantages of being registered.

About the procedures of the registration process: *"Long queues. They will tell you 'No, I won't give it to you'. They will tell you 'You have to come back, come back tomorrow, with these papers'."*

About the advantages of being registered: *"Until now, no, no. It is the same, nothing more."³²*

"Mmmh advantages, not many, but it is preferable for us to do everything the legal way, we don't want to get in trouble."³³

Thus, not being registered mainly has to do with confusion about how to register, fears of paying taxes, the idea that registration does not serve a business as small as a HBE, and a lack of knowledge of the advantages of being registered, accompanied by a cultural comfort zone, that makes it difficult to change the mentality of entrepreneurs.

4.3.4 Skills and education

In literature the informal sector is also characterized by informal skills acquisition and a limited amount of skills needed. This suggests that the standard of work will be poor and unable to compete nationally or internationally (Tipple, 2005).

Previous sections in this chapter already showed that most HBEs are performed in the sector of commerce and production. These activities are that popular, since one does not need any specific knowledge or skills to operate such a business. HBE operators mention that they operate this kind of activity, because it is accessible, since there are not that many skills required. The necessary skills they acquired in an informal way. They started as employee in another business and used the experience they acquired to start their own business. They mention that those skills that are preferable mainly are general business skills, such as managing money and sales, and not technical skills that directly have to do with the specific activity they operate.

"No, for this not, this is something accessible. Of course one needs to have knowledge of capital, one needs to have knowledge of administration..."³⁴

"I had knowledge, because I worked in an enterprise. I worked as a cashier in a fabric (...) in that way I had a little knowledge of a business."³⁵

³⁰ Interview Fundempresa, 2010

³¹ Interview PROMOVER, 2010

³² Interview Household 5, 2010

³³ Interview Household 17, 2010

³⁴ Interview Household 5, 2010

³⁵ Interview Household 12, 2010

The required knowledge and experience depends on the type of activity the HBE is concerned with. Many HBE operators realize an economic activity that is easy and accessible. However, some of them realize a somewhat bigger business that requires some more skills and know-how. A good example of this is the owner of a car mechanic enterprise (Text box 4.2).

The story is a good example of a business that requires a little bit more experience and of an owner that acquired his first knowledge in an informal way, keeps his knowledge up to date by attending courses, and is that successful that he has a big enterprise and now himself teaches new students. However, many other HBEs do not require that many skills and are not that big either.

The reason that many entrepreneurs choose to do something that does not require that many skills can be found in the education level of the entrepreneurs. It turns out that the HBE operators do have a significant lower level of education than other persons.³⁶ This implies that there is not much needed to start a HBE and that the accessibility and easiness of operating a HBE is an advantage for many entrepreneurs whose education attainment level is quite low.

Box 4.2: Julio – Car mechanic workshop

Julio lives in the Villa 16 de Julio in El Alto. Since 1983 he has his own enterprise, a car mechanic workshop. Before starting his own business he studied at the university and worked as employee in another car mechanic workshop in the city of La Paz. During that time he acquired many skills. In 1983 he decided to start a business of his own and moved to El Alto, mainly because this was cheaper than in the capital city. The first three years he rented a place to live until he was able to buy something of his own where he could start his business. Besides having his own workshop, Julio also works as a teacher at the university to teach about car mechanics. During time he managed to improve and expand his business considerably, by working hard and updating his knowledge by means of following courses. Nowadays his enterprise still is home-based, he works together with seven employees and is one of the best known car mechanic workshop in the city, attracting customers not only from El Alto, but also from La Paz and even further away.

4.3.5 HBE income

Some literature assumes a strong link between poverty and the informal sector (Gough, 2010). However, the literature overview in chapter one already has shown that this relationship is not always self-evident (Tipple, 2005).

HBEs in the Zona 16 de Julio generate between 100 and 6,000 Bolivianos (\$US 15-860) per month with an average of 1030 Bolivianos (\$US 150) per month. However, there is no difference with the amount of money other jobs generate. Other jobs generate between unto 6,800 Bolivianos (\$US 975) per month, with an average of 1060 Bolivianos (\$US 152) per month.³⁷

³⁶ Chi-square test, significance level = 0.030, Cramer's V = 0.123

³⁷ The analyses have been done based on two variables, therefore it is not possible to test statistical significance.

To analyze the relative meaning of the HBE income, often a comparison is made with the minimum legal wage in a country. The most recent found minimum legal wage in Bolivia is 577 Bolivianos per month (\$US 80) in 2008 for the public and private sector (Wikipedia, 2010).

Table 4.10: Income of households with HBE in the Zona 16 de Julio in 2010 compared to the Bolivian minimum wage of 2008

	%
Less than the minimum wage	25.3
Until two times the minimum wage	51.5
More than two times the minimum wage	23.2

Source: Survey 2010

With their HBE households on average do earn twice the minimum wage. However, for a quarter of the households the HBE generates less than the minimum wage of 577 Bolivianos, while for half of the households the HBE generates up to two times the minimum wage, and for a quarter of the households the HBE generates more than two times the minimum wage (Table 4.10).

There does not seem to be any link between poverty and home-based entrepreneurship amongst households in the Zona 16 de Julio. However, it could be that the HBE is the only income source of a household. In that case the income generated by the HBE is not much for a whole family, since average household costs in Bolivia are about 3,500 Bolivianos (\$US 500), as mentioned in chapter two.

Box 4.3: Antonio – Tienda de barrio

Antonio rents a house with his wife in the Villa Los Andes in El Alto. Since five years he has his small grocery store. Before he had the same enterprise at the other side of the street, but he moved houses. His shop is not the only job Antonio has. At the same time he is painter, electrician, plumber, and driver. But there is not always work to do. Whenever someone needs his work, he closes down the shop for several months and travels around the country. When there is no work, he comes back to El Alto and opens his shop. His wife often helps in the shop, but also sells vegetables at the Ceja.

For about forty percent of the households with a HBE the income generated by the HBE indeed is the only household income. These are mainly smaller families with less members.³⁸ However, for sixty percent of the households with a HBE, the HBE income is just an extra income source. The accessibility of operating a HBE, as already several times mentioned, enables households to run a HBE besides their other jobs (Text box 4.3).

The contribution of a HBE to household poverty alleviation can be assessed by comparing the household incomes of those who have them with those who do not. Families with a HBE on average have a total family income of 1655 Bolivianos (\$US 237), while families without a HBE have a total family income of 1630 Bolivianos (\$US 234). This difference is small and not significant, which means that a family realizing a HBE is not necessarily a poorer (or richer) family than a family without HBE.³⁹ However, it shows that the majority of the households earn less than the average household costs of 3,500 Bolivianos.

With respect to the discussion in literature about the link between poverty and home-based entrepreneurship, the data in this study indeed does not support any relationship. Although operating a HBE could indicate a survival strategy for more income and often generates just a little bit of extra money, the HBE operator is able to make as much money as comparable waged workers in the formal sector due to adopting the triple role of owner, worker and manager at the same time, while using the house as business location, which saves money. Besides, for sixty percent of the households the income generated by the HBE is not the only household income. The accessibility of operating a HBE also enables many households to run a HBE besides other jobs, which means that as a household they are not poorer than other ones. Besides the fact that the data does not support the argument that families with a HBE are low income families, it does not seem logical either, since starting and running a HBE requires investments as we will see in the next section.

An important aspect concerning the income generated by the HBE is that significant differences in HBE incomes exist when taken into consideration the location of HBEs. With respect to the specific neighbourhood the HBE is located in, no significant differences can be

³⁸ Independent-Samples T Test, significance level = 0.004

³⁹ Independent-Samples T Test, significance level = 0,855

found. However, when comparing HBEs that are located in the central and market area (several blocks in the Villa 16 de Julio and Villa Ballivian) and HBEs that are located outside this area, it turns out that HBEs in the market area generate significantly more money than the other ones. HBEs in the market area generate 1480 Bolivianos (\$US 212) on average per month, while HBEs outside this area generate 870 Bolivianos (\$US 125) on average per month.⁴⁰ This indicates that there is more money to be made in the market area and that the more marginal HBEs are to be found in the more marginal areas.

4.3.6 Investments and credits

According to literature, in the informal sector as a whole, capital tends to be short and found informally from family, friends, or moneylenders, as we have seen in the literature overview in chapter one. Concerning the investments households make, this study analysed two types of investments, the initial investment to start up the business and the last investment made.

About three quarters of the households running a HBE have done a first investment to start up their business.

This investment was, at the very most, 10,000 US Dollars, with an average of 950 US Dollars (Table 4.11). In three quarters of the cases these investments were financed by own savings. About one quarter of the households made use of

Table 4.11: Investments made in the HBE in the Zona 16 de Julio in 2010 (in \$US)

		First investment	Last investment
Maximum		10,000	6,000
Average		950	600
Investment source	Own savings	75%	81%
	Loan of relatives/moneylender	14%	12%
	Loan of bank	9%	7%
	Loan of microcredit institution	2%	0%
Total (N=)		106	75

Source: Survey 2010

a loan, mainly informal from family, friends or an informal moneylender.

About half of the households running a HBE did not only invest to start up the business, but also did further investments to keep the HBE going. The last investments made by the households were, at the very most, 6,000 US Dollars, with an average of 600 US Dollar (Table 4.11). In about eighty percent of the cases these investments were financed by own savings. About twenty percent of the households made use of a loan for their last investment, mainly informal from family, friends or an informal moneylender.⁴¹

Concerning the amount of investments made and the types of investments there are several patterns to recognize.

First, differences exist in the average amount of investments between different types of HBEs (Table 4.12). However, these differences are very irregular and there cannot be found any statistical relationship between the type of HBE and the average amount of investment made. Probably this is caused by the big differences in amount of HBEs per type.

Second, a positive significant relationship can be found between the first investment and the last investment.

In other words, households that have done a higher first investment, also did a higher last investment.

Table 4.12: Average investments sorted by type of HBE in the Zona 16 de Julio in 2010 (in \$US)

	First investment	Last investment	Total (N=)
Industry	6,098	7,314	51
Commerce	4,493	2,374	53
Catering	9,170	1,956	10
Services	15,220	1,300	11

Source: Survey 2010

⁴⁰ Independent Samples T-Test, significance level = 0.047

⁴¹ The amount of households that has done a last investment might be underestimated, since some households might define 'investment' somewhat different. Buying new products for their small grocery store, what HBE owners do almost every day, is an investment as well, but might not be seen as such by the households.

Third, households less often make use of their own savings for their first investment than for other investments, as already shown in table 4.11. Table 4.13 shows the matches between the first and last investments of the households with a HBE.

Table 4.13: Investment sources of first and last investments of households with a HBE in the Zona 16 de Julio in 2010 (as percentage of total)

Type of first investment	Type of last investment				Total (N=)
	Own savings	Loan of family/friends	Loan of bank	Loan of institution	
Own savings	90	8	3	0	80
Loan of family/friends	60	40	0	0	15
Loan of bank	50	0	50	0	8
Loan of institution	--	--	--	--	2

Source: Survey 2010

About ninety percent of the households that used their own savings for their first investment, also used their own savings for their last investment. Only ten percent made use of a loan. More than half of the households that made use of a loan for their first investment, either from family or friends or from a bank, used their own savings for their last investment, while the other half made use of the same type of loan. In other words, the majority of the households that started their HBE with their own savings, in a later stage are less likely to make use of a loan, while households that started their HBE with a loan, in a later stage are more likely to invest by means of their own savings. This could be explained by the personal circumstances of the households, if they for example experienced a windfall revenue. However, it can be a clear sign of the financial possibilities of a HBE. Apparently some HBEs are able to reach a stage in which it is possible to further exist without any loan, although they might be vulnerable to relapse at some point.

Fourth, first investments are higher than last investments (Table 4.14). This is at itself

Table 4.14: Average of first and last investments in HBE sorted by investment source in the Zona 16 de Julio in 2010 (in \$US)

	First investment	Last investment
Own savings	770	500
Loan	1,530	1,170

Source: Survey 2010

not surprising, since first investments involve the buying of furniture, machinery etc., that are probably not necessary to buy every certain amount of time. Table 4.14 also shows that significant differences can be found between investments made by households that make use of a loan and investments made by households that use their own savings. Investments made by households that made use of a loan to

finance their HBE are about twice as high as investments made by households that used their own savings. Only differences in first investments are significant.⁴²

Fifth, HBEs of households that have made higher investments generate more income per month. A positive significant relationship can be found between the amount of first investment as well as last investment and the amount of income generated by the HBE.⁴³

So, the amount of investment made is not dependent on the type of HBE. Last investments are lower than first investments, but a positive relationship exists between the amount of the first and last investments. Households mainly make use of their own savings, but some do make use of a loan as well, more often for their first investment than for further investments. A HBE in which higher investments have been done, eventually also generates more money.

Literature emphasizes the low investments made in informal enterprises. However, comparing the amount of investments with the income a HBE generates, in some cases the average investment is about six times the average income generated by the HBE per month. This means two things. First it proves that households running HBEs cannot be the

⁴² First investment: Independent Samples T-Test, significance level = 0.043. Last investment: Independent Sample T-Test, significance level = 0.182. Significant differences concerning last investments can not be found. This could be explained by the smaller amount of households that have done a last investment.

⁴³ First investment: Bivariate Correlations, significance level = 0.000, Pearson Correlation = 0.368. Last investment: Bivariate Correlations, significance level = 0.000, Pearson Correlation = 0.479.

poorest families. To start up a HBE and keep it going quite some financial capital is necessary. Second, it is reasonable that more households actually have made use of a loan to finance these investments, than they have told in the survey. Some households might be reluctant to admit that they have made use of a loan due to repaying arrears for example.

Households mainly invest in machinery (26% of the households), such as kitchen machinery, sewing machines, ovens, and construction machines, and raw and auxiliary materials (24% of the households) to make or manufacture their products, such as kitchen products, textiles, paper, ink, and paint (Table 4.15). Other things households invest in are furniture, instruments and tools, and refrigerators or freezers. Households invested between 15 and 5,000 US Dollars in these, with an average of 680 US Dollar, during the last year.

Table 4.15: Type of investment made by households with HBE in the Zona 16 de Julio in 2010

	%
Furniture	20
Refrigerator/Freezer	3
Machinery	26
Instruments/Tools	18
Raw/Auxiliary materials	24

Source: Survey 2010

4.3.7 Consumption and production

The most visible characteristic of a HBE is the use of the house as business location. Part of what allows informal-sector businesses, and especially HBEs, to keep operating is the use of personal and domestic assets. The use of the house as business location means that especially women are able to operate a business besides taking care of the family. It also means that a household does not have to pay for another space in which they can operate their business. Because of the use of the house as business location, household and business affairs are often not separated, according to literature (Tipple, 2005; Verrest, 2007).

The majority of the households (76%) in the Zona 16 de Julio use a special separate place to operate their business (Table 4.16). About thirteen percent of the households also uses the public space. However, remarkable differences exist between the different types of

Table 4.16: The use of space sorted by type of HBE in the Zona 16 de Julio in 2010 (as percentage of total)

	Industry	Commerce	Catering	Services	Total
Special space	86	66	90	77	76
Other rooms	9	5	0	0	6
Patio	5	0	10	15	4
Public space	0	28	0	8	13
Other	0	1	0	0	1
Total (N=)	60	62	11	14	147

Source: Survey 2010

HBEs. Especially enterprises in the sector of commerce relatively more often are operated in the public space than other enterprises.⁴⁴ This means that these households, besides having a business within their home, also sell their products outside the home, often on a strategic place in the neighbourhood. Due to close location of the Zona to the Ceja, an important sales location is the Ceja.

⁴⁴ Due to a lack of meeting statistical conditions a chi-square test cannot be performed to test significance

Image 4.2: A quasi separate business location



In spite of the assumption in literature that households running HBEs often do not separate business affairs from household affairs, the far majority of the households in the Zona 16 de Julio make use of a separate space for their HBE. However, some side notes have to be made. In many cases this space indeed is a separate space. Either this space already was meant to be a shop when the owner bought the house, or the household reconstructed their house in order to create a space for their business, or they gave up on a room, formerly used as living room or garage, in order to create their business. However, in some cases the space used for the HBE is quasi separate, meaning that this

space is part of a room fenced off by, for example, a curtain (Image 4.2). This is seen many times when visiting the households for an in-depth interview.

Also, literature often refers to the influence of running a HBE on the available space of a household.

Table 4.17: Available space for households with and without a HBE in the Zona 16 de Julio in 2010

	Household		Significance level
	With HBE	Without HBE	
Amount of floors	1.40	1.25	0.033
Amount of rooms	4.75	3.62	0.001
Amount of bedroom	2.70	2.10	0.001
Surface terrain	279.60	276.08	0.799
Amount of m2 household inhabits	170.24	164.94	0.784
Total (N=)	147	591	

Source: Survey 2010

Because households sometimes have to give up on a room in order to create a space for their enterprise, they have less available space for the family. However, this is not the case in the Zona

16 de Julio (Table 4.17). Households running a HBE occupy significantly more floors, rooms and bedrooms than households that not run a HBE. Concerning the surface of the terrain households live in as well as the total amount of square meters the household inhabit, no significant differences can be found between households that run a HBE and households that do not run a HBE.⁴⁵

4.4 Continuity of home-based enterprises

The literature overview in chapter one discussed the continuity of home-based enterprises. A characteristic of HBEs is that the majority of the HBE operators is not able to expand the HBE. The far majority just succeeds in maintaining the business over time, while only some entrepreneurs do have the possibilities to grow, some fail, and some change the nature of

Table 4.18: Problems/difficulties experienced by HBE operators in the Zona 16 de Julio in 2010

Problem / Difficulty	%
Little sales (competition)	43
Seasonal fluctuations	17
Personal circumstances	13
Increasing costs of materials	11
Lack of finances	9
Broken machines	4
Economic situation country/Exports	4
Criminality	4
Shutting off power	4
Problems with the (municipal) government	4
Total (N=)	46

Source: Survey 2010

their business (Gough, 2010).

In the Zona 16 de Julio the HBEs operated exist for between one month and 360 months (thirty years). Thirty percent of the HBEs exists less than a year, while ten percent exists more than ten years. The average HBE in the Zona 16 de Julio exists for about 55 months (about two and a half years). Most HBE entrepreneurs succeed quite well in maintaining their business. However, not everyone operates without problems and difficulties. About 33% of the

⁴⁵ All tests: Independent Samples T-Test

HBE operators mention that they sometimes experience difficulties or problems. Most have to do with little sales, whether or not caused by competition (Table 4.18). Other often mentioned problems are seasonal fluctuations, for example when a HBE is focussed on seasonal products or when the raining season affects sales; personal circumstances, concerning the health, age or other jobs of the HBE operators; increasing costs of materials; and a lack of financial capital.

About one percent of the households (seven households in total) in the Zona 16 de Julio had a HBE in the past and closed down this business. These HBEs were in the sectors of commerce (four cases) and in the sector of industry and handicrafts (three cases). The HBEs were, tailors, artists, small grocery stores, clothing shop, and a textiles shop. In the literature overview in chapter one several reasons have been mentioned for failure of HBEs: (1) personal reasons, (2) difficulties entering the market, (3) falling demand due to changing tastes and falling incomes, (4) changes in government policies, (5) lack of finance, (6) competition, (7) lack of availability of space, and (8) crime. Most households in the Zona that used to have a HBE closed down due to a lack of availability of space. Other quite because of disappointing sales and incomes, and problems with the municipal government.

About nine percent of the households in the Zona (thirteen households in total) that now operate a HBE, operated another HBE in the past and changed the nature of their business (Table 4.19).

Eight of them were operating in the sector of commerce, and now are operating in the sector of industry, commerce and services.

Table 4.19: Types of HBEs of households that changed the nature of their HBE in the Zona 16 de Julio in 2010

		Handicrafts/ Industry	Catering	HBE present		Total
				Commerce	Services	
HBE past	Industry	1	1	0	1	3
	Commerce	4	0	2	2	8
	Catering	0	0	1	0	1
	Services	0	0	1	0	1
Total		5	1	4	3	13

Source: Survey 2010

Three of them were operating in the sector of industry/handicrafts and now are operating in industry/handicrafts, catering and services. One was operating in the sector of catering and now is operating in the sector of commerce, while the last one was operating in the sector of services and now is operating in the sector of commerce. In the literature overview in chapter one several reasons have been mentioned why households would change the nature of their business: (1) out of necessity following the failure of one business, (2) the changing life course of the operator, and (3) the entrepreneurship of the operator who is able to spot a more lucrative opportunity. About seventy percent of the households (six households in total) changed the nature of their business due to a combination of the first and third reason, mainly because of the lack of enough sales and incomes. About thirty percent (3 cases) changed their HBE due to changing life course, such as age and health.

4.5 Conclusion

One out of five households in the Zona 16 de Julio performs a home-based enterprise. Although most economic activity takes place in the market area (located in the Villa 16 de Julio and Villa Ballivian) and along the main roads as mentioned in chapter three, most HBEs cannot be found in these areas. A short analyses of the market area and the main roads shows that the explanation for this can be found in the fact that these areas are that economically attractive that they attract many 'foreign' entrepreneurs that do not live on the same plot as they work.

HBEs in the Zona 16 de Julio are concentrated in a few activities, but spread across several sectors. Most HBEs are performed in the sectors of commerce and handicrafts/industry, while the most occurring activities are tailors and small grocery stores. The types of HBEs in the Zona 16 de Julio and the division of them within the neighbourhoods is not consistent with economic activity in general in the Zona as analysed

in chapter three. Apparently some activities are more suitable for being performed within the home than others. Most HBEs are started or operated out of economic needs, such as being able to make ends meet, and being able to pay for costs of making a living and maintaining a family, such as food and rent.

The majority of the HBEs in the Zona 16 de Julio are informally organized with respect to several characteristics of enterprises operating in the informal sector. First, the far majority of the HBEs are micro enterprises with on average 2.2 employees. However, HBEs in the sector of production are slightly bigger than HBEs in the sector of commerce. Second, operating a HBE is mainly a family affair. The majority of the HBEs are ran by the head of the household or the wife/husband, while this person is helped by the spouse or the children. Only about one out of ten households make use of external (paid) employees. Running a HBE is often a full time job. In some cases the operator makes extremely long working hours, when they wake up at five or six in the morning to prepare everything for their work and close the shop at ten or eleven at night. Third, at least sixty percent of the HBEs in the Zona are not officially registered. Reasons for this can be found in confusion about how to register and the conviction that it is not necessary to register because no one will come to control registration. The choice of being informal and unregistered does not only have to do with reluctance and the feeling that registration would not serve the business, but also with a strong cultural aspect that determines whether people are willing to get out of their comfort zone in order to create opportunities to expand their business. Many entrepreneurs are not (yet) willing to get out of their comfort zone due to a lack of knowledge of the advantages of being registered. Fourth, the type of HBEs operated in the Zona do not require that many skills and experiences. The most necessary skills mainly are general business skills. HBE operators often acquired the skills they need in an informal way, by working as employee and later on starting their own business or from generation to generation. The fact that households operate HBEs that require low skills can be found in the lower education level of HBE operators. Fifth, with respect to the discussion in literature about the relationship between poverty and home-based entrepreneurship, the data in this study indeed does not show any link between poverty and HBEs. The HBE do not generate less income than other jobs. For six out of ten households with a HBE, the HBE is not the only income source. Many households have several income sources and therefore households with a HBE are not poorer than households without. However, with respect to the amount of income generated by the HBE, there can be found more marginal HBEs in the more marginal areas of the Zona. Sixth, it would not be logical either that households with a HBE are poorer, since starting or operating a HBE requires quite some financial capital. The majority of the households invested to start up their business and half of the households also made further investments. These investments are mainly financed by own savings, while some made use of some kind of loan, more often for their first investment than for further investments. A HBE in which higher investments have been done, eventually also generates more income. The investments made are up to six times the monthly income generated. Seventh, the majority of the households with a HBE uses a separate place of the house to operate their business. However, in some cases this place is part of a room only fenced off by, for example, a curtain.

The majority of the households with a HBE succeeded in maintaining their business over time. However they do not operate without difficulties. Problems HBE operators experience are little sales, competition, seasonal fluctuations, personal circumstances, increasing costs, and a lack of financial capital. Only a few failed due to these problems. And just a few changed the nature of their business, due to failure of their previous business and better opportunities for another type of business.

5 The economic and social significance of home-based enterprises in the Zona 16 de Julio

After knowing what kind of home-based enterprises households are operating and how they organize their HBE, this chapter deals with the economic and social significance of HBEs for the households performing them. The previous chapter has shown that most households operate a HBE in the sectors of handicrafts/industry and commerce, out of economic necessity in order to make ends meet and maintain the family. HBEs are mainly informally organized with respect to the size of the business, the internal organization and employment relations, registration, required skills, generated income, investments and credits and the separation of consumption and production. This chapter answers the sub question of the study: *What is the economic and social significance of home-based enterprises for the quality of life of the households performing them in the Zona 16 de Julio?*

The first section of this chapter deals with the economic significance of HBEs and goes into detail about the use of the income of the HBE, the sufficiency of the income and the ability to make ends meet, the importance of this income compared to other incomes, the importance of this income for the quality of life, the households' opinion on their current financial situation, and the households' ideas of increasing their income and improving their financial situation.

The second section of this chapter deals with the social significance of HBEs and goes into the households' opinion on the HBE and the interaction between the neighbourhood and the HBE, such as dependence on the neighbourhood, competition and jealousy, and changes in the social position of the household in the neighbourhood due to the HBE.

5.1 Economic significance

Chapter four has shown that no relationship between poverty and home-based entrepreneurship can be found. HBEs do not generate less than other jobs, and the total income of households with HBE are not lower than the total income of households without HBE, since many households have several income sources.

5.1.1 Use of the HBE income

Most households use the income generated by the HBE for general costs, such as basic services, rent, food, clothing, and taxes (Table 5.1). This in itself is not very shocking, since every household do have these costs. More interesting is whether these households have the opportunity to spend their money on other things besides their daily costs, such as studies, investments in their enterprise, improving the house, recreation and travelling or to save money. It turns out that about fourteen percent of the households mention that they use the HBE income to actually save some money, while another fourteen percent uses the income for the (studies of the) children. About twelve percent of the households uses the HBE income to make new investments in their enterprise (chapter four already showed what kind of investments households make). The income generated by the HBE gives households the opportunity to not only make ends meet in

Table 5.1: Percentage of households that mention type of use of HBE income in the Zona 16 de Julio in 2010 (as percentage of total)

General costs	56
Saving money	14
(Studies of) children	14
Investments	12
Debts/Bank	2
Improving the house	1
Recreation/Travelling	1
Total (N=)	147

Source: Survey 2010

terms of costs of living, which is their main motive for starting a HBE, as chapter three has shown, but also to do something extra like saving money.

5.1.2 Households' opinion on the HBE income

To measure the economic significance of HBEs for the households performing them, households have been asked about their opinion on the income they make, such as the importance of the income compared to other incomes, the importance of the HBE for their quality of life, their opinion on their financial situation, the ability to make ends meet, and ideas to generate more income with their HBE. This section deals with the relationship between the HBE income and the households' perceived quality of life.

Things households could not pay without having their HBE

Table 5.2: Things households could not pay without HBE in the Zona 16 de Julio in 2010 (as percentage of total)

	HBE only income source	Several income sources	Total
Percentage of households that could not pay things without HBE	63	50	54
Costs of living	58	27	43
(Studies of) children	15	17	16
Debts/bank	12	7	10
Investments	3	3	3
Everything	9	1	10
Total (N=)	33	30	63

Source: Survey 2010

The previous section has shown that households use their HBE income mostly for the costs of living, but also for other things like studies, investments, and saving money. About 54% of the households do say that there are things they could not pay without operating their HBE (Table 5.2). Of course this is associated with the other income sources families have. With respect to households

that have several income sources, only half of the households mentions that there are things they could not pay, while with respect to the households for whom the HBE income is the only income source, about 63% of the households mentions that there are things they could not pay without their HBE. Most households mention that they could not pay their costs of living or the studies of their children. Other answers are debts or investments. However, this counts more for households of which the HBE provides the only income source than for households with several income sources, especially with respect to the costs of living.

This implies that the income generated by the HBE is quite important since especially households with the HBE as only income source mention that they would not be able to pay certain things without the income generated by the HBE. Since for most households it means they could not pay for their costs of living, which include only basic necessities of maintaining a family, the HBE is an important factor for their quality of life.

Sufficiency of the HBE income

As already a couple of times mentioned, for many households the HBE is the only income source and an important one since the income contributes to paying important costs of living. However, not always this income is sufficient according to the households. Some households mention that the income is sufficient for the costs of living, but that there is not much left to pay for other things. Only in case there is some money left that month, they are able to spend it on other things or to save money.

*"Like I told you, only for the costs of living, for saving, no. We would like to have a little bit more income, just like anybody else wants to have a little bit more for a car or an own house."*⁴⁶

*"To have at least every day a daily meal, yes. [For other things] not enough income."*⁴⁷

⁴⁶ Interview Household 2, 2010

⁴⁷ Interview Household 5, 2010

*"Yes, everything I collect. What I have left, I save, but what I have to pay (...) , also what they borrowed me, I have to pay. After paying I need to save some money."*⁴⁸

Other households mention that they need to have several jobs or they need to borrow money, since the HBE income is not sufficient at all.

*"No (...) therefore I have dedicated myself to several jobs."*⁴⁹

*"It is not enough (...) there are times we have to borrow some."*⁵⁰

*"I lack money, lady, I lack money. I have to go to the market. Today I have to buy a thing, tomorrow I lack another thing, what I also have to buy."*⁵¹

Only for some households the income generated by the HBE is enough, when the HBE is big enough to generate a secure income. A good example again (see text box 4.1 in section 4.3.4) is the example of the owner of a car mechanic workshop that have succeeded in expanding his business and becoming one of the most known car mechanics workshops in the city.

*"Yes for me, thank God, it is OK, for the work I do at the University they pay me some money also."*⁵²

A weak point of the HBE income is that no matter how important this income is for the household, it is always an insecure income. One day they sell a lot, another day almost nothing. This also means that one day there is more income than another day. One can never build on the income of tomorrow.

*"There are days that I sell good, but there are other days that I don't sell anything..."*⁵³

*"There are moments we cannot hold out, there are moments we have left some money as well."*⁵⁴

The insufficiency and insecurity of the HBE income makes it hard to rely on the income, what makes that many households do not have a buffer for times when incomes are worse.

The importance of the HBE income

We have seen that most households are not able to pay for certain things if they would not have the HBE income and that the income is quite insecure. The question is how important this income is in relation to other incomes of the household and for the quality of life. For about sixty percent of the households this income is of high or very high importance both in comparison with other incomes as well as for the quality of their life (Table 5.3). The

importance of the HBE income has several reasons. One of the reasons of course is that the income generated by the HBE

Table 5.3: Importance of the HBE income in the Zona 16 de Julio in 2010 (as percentage of total)

	Importance of HBE income	
	compared to other incomes	for the quality of life
Not important	1	0
Low importance	3	2
Medium importance	37	41
High importance	38	41
Very high importance	21	16
Total (N=)	137	137

Source: Survey 2010

contributes for an important part to the costs of living, studies, investments, and saving

⁴⁸ Interview Household 15, 2010

⁴⁹ Interview Household 4, 2010

⁵⁰ Interview Household 6, 2010

⁵¹ Interview Household 11, 2010

⁵² Interview Household 9, 2010

⁵³ Interview Household 5, 2010

⁵⁴ Interview Household 14, 2010

money, as we have already seen. It is a very important (extra) income source for a family. Some households also have some kind of division of several income sources. The HBE income, for example, is used for daily costs, while the other income sources are used for paying debts or saving money.

*"The income [HBE] we distribute in food. Of course, they are important, without food one cannot live. The income I have [husband] we use for saving money. The incomes she has we use for food, for all the costs."*⁵⁵

*"(...) they are very important. It is for bread, for the costs of living, see? And that is really important. Where can I get it from and who is going to give it to me, if I do not open the shop."*⁵⁶

*"[the incomes] help us a lot, for example for me, for my public transportation to go to university, or for making copies, for books and texts. Or sometimes for the food on the college of my brothers. So, it is really important."*⁵⁷

For just a few households the HBE income is of low importance or no importance. One of the reasons is that the HBE is not generating much more money than other jobs, as we have seen in chapter four.

*"It is not that much, yes (...) not that much. When I go to other parts to work, it is a little bit more I earn."*⁵⁸

Opinion on the current financial situation

Table 5.4: HBE households' opinion on current financial situation in the Zona 16 de Julio in 2010 (as percentage of total)

	%
Worse	2
The same	45
Better	53
Total (N=)	130

Source: Survey 2010

The HBE income is an important income source for households compared to other incomes and for their quality of life. Many households therefore perceive their current financial situation as better than before running the HBE (Table 5.4). However, it takes some time for the finances to improve, especially when a household is in some kind of track of borrowing money from the bank.

*"A little bit better, because sometimes with a salary, you spend it and they pay you monthly, but with this [HBE], we say, it gives you a little bit more, for the studies of my children."*⁵⁹

*"(...) it's getting better (...) and in one year we are going to finish paying the bank. We are going to buy a car, what costs at least eight thousand dollar. Like she had a restaurant, we are going to reconstruct it. When we don't have debts anymore, we can do a lot of things."*⁶⁰

Still almost half of the households mention that their current financial situation is the same as before running the HBE.

*"(...) it's stable. I don't think we have improved a lot, but we are not worse either, I believe we are at least in a stable situation."*⁶¹

*"(...) it is OK, I don't suffer."*⁶²

⁵⁵ Interview Household 2, 2010

⁵⁶ Interview Household 11, 2010

⁵⁷ Interview Household 17, 2010

⁵⁸ Interview Household 4, 2010

⁵⁹ Interview Household 6, 2010

⁶⁰ Interview Household 14, 2010

⁶¹ Interview Household 17, 2010

⁶² Interview Household 4, 2010

Only some households perceive their financial situation as worse than before. However, this often has a specific reason. An example is a woman whose husband lost his job. To compensate the income, they started a bookstore. However, the bookstore is generating less income than the former job of the husband and is not enough to maintain the family.

*"Bad, I can't look forward to another thing. Because my husband is without work, I am here, we are here, we cannot go to another part [of the city] and the work is just temporary, it is for two or three months."*⁶³

Ideas for increasing incomes and improving the financial situation

Although the majority of the households perceive their current financial situation as better than before running the HBE, still they are quite pessimistic about their financial situation. Many households have ideas and wishes to change the situation in order to somehow make more money, but they feel sometimes limited in their possibilities.

Many households wish to expand their business and increase their incomes in order to improve their financial situation. Many also do have an idea how they would do this. The majority of the households would improve and expand the HBE itself, such as occupying more space within the house, selling more products, selling imported good quality products, improving the provisioning, improving the quality of the products and improving the quality of the furniture.

*"Yes, there are ideas, there are ideas, for example, (...) my first idea to generate more income is the following, improving the atmosphere. Improving the tables so that they are more beautiful, later the floor, later in the kitchen buying more equipment and hiring an employee. (...) With this I can increase the amount of plates and I can generate more money."*⁶⁴

*"Yes, what I would like to do is (...) travel to China to bring substitute car parts that I can sell. (...) It is possible, but I don't have much help, I need a more capable work force."*⁶⁵

Another way of generating more income is starting a new business, whether or not the same type of activity, in a more commercial area, such as the city centre. In this case the business would not always be a HBE anymore.

*"Here, it is a little bit quiet. I am thinking to open another shop on the side of the Ceja, where there are more people, and where there is more competition, this is what I am thinking about."*⁶⁶

However, a restricting factor seems to be financial capital or space. For every change or every improvement, there is a need for financial capital or space, what most households lack.

*"We do have a lot of ideas, but we lack the money. (...) [We would like to start] a minimarket, expand this to a minimarket. There are always things that you can do, but always with money and space."*⁶⁷

*"Mmh... yes, but for making more money we need to have a little bit more capital, there is not."*⁶⁸

*"Yes, I do have an idea, but there is no capital. (...) I want to import from China. (...) Machines. (...) And there is no capital, that's the problem."*⁶⁹

Some households mention that it is actually quite hard to increase their incomes from their HBE, since the competition is strong and customers are always looking for the cheapest

⁶³ Interview Household 8, 2010

⁶⁴ Interview Household 3, 2010

⁶⁵ Interview Household 9, 2010

⁶⁶ Interview Household 4, 2010

⁶⁷ Interview Household 2, 2010

⁶⁸ Interview Household 6, 2010

⁶⁹ Interview Household 13, 2010

products, what keeps the prices of entrepreneurs low. The problem of competition is explained more in detail in the next section.

*"No, I don't think so. With the competition there is, it's very shabby, the competition, because if they are good products for a good price, I would say: OK, that's fine, but those are bad products for a very low price, so the competition is very shabby."*⁷⁰

*"No, no I don't think so. Because people always search for their convenience. Where it is cheaper..."*⁷¹

In sum, the HBE income is an important (extra) income source for many households, of which they are able to pay for their most basic needs, which sometimes would not be possible without their HBE. Especially for households for which the HBE is the only income source, the household income is not always sufficient. Besides, the HBE income, whether it is sufficient or not, is most of the times a very insecure income, which makes it hard to rely on and create a buffer for times when incomes are worse. Yet it is a very important income source. Many households experience a better financial situation and an improved quality of life (Text box 5.1).

Box 5.1: Marco Anthonio and Amalia – Restaurant

Marco Anthonio and his wife Amalia opened their restaurant in the Villa 16 de Julio one year ago, because Marco lost his job by then. Although he now found a new job as a driver, they still operate their restaurant. Amalia works there every day, while Marco helps her on Thursdays and Sundays when there is market and no work for him as a driver. To open their restaurant they made use of a loan and still are in a money lending track nowadays. Although they sell well, since they are located in the commercial area, not every day is a good day. The money they make in the restaurant, they mainly use for their daily necessities. The money Marco makes as a driver, they use for paying debts at the bank. For Marco and Amalia 'vivir bien' would be to live without debts. Sometimes they have some money left what they can save for bying their own house. But most of the times they are just able to make ends meet.

5.2 Social significance

5.2.1 Opinion on the HBE

In general households are quite satisfied with running their HBE. However, it seems that some households reconcile themselves to the situation. They are satisfied, since at least they have a job, but once asked about their dreams concerning other jobs, it turns out that most HBE owners would rather have another job or a different type of HBE. However, they lack the means to realize this dream.

*"Yes, for example here, I would like to have, instead of a bookstore, a hairdressing salon. (...) I have some knowledge (...) I would like to specialize a little bit more in practice, but I have dedicated myself to the bookstore. (...) Because the other [activity] needs more materials, more costs and constant maintenance of machines."*⁷²

*"(...) I would like to open my own enterprise in graphic design, like we are graphic designers, but the costs are very high and very much. (...) Only the machine, the machine, we are talking about fifty thousand dollar, a good machine. So, we don't have the money. (...) That is my big dream, I would like to open my graphic design studio."*⁷³

⁷⁰ Interview Household 8, 2010

⁷¹ Interview Household 7, 2010

⁷² Interview Household 5, 2010

⁷³ Interview Household 8, 2010

Other respondents would rather have another job, but are forced to run this HBE, because they have young children.

*"Yes, but I can't. (...) Because the shop occupies a lot of time. (...) There is not much time. I used to have my salon. (...) For the moment no [I don't wish another job], because of the children."*⁷⁴

There are even respondents that have done education at the university, whether or not they finished it, but never had the opportunity to perform a job in accordance with their educational level.

*"I would like to finish university, I quit when I got pregnant. (...) My idea was to go to the country side, my mom has her territories there and my grandparents used to breed animals (...) There are a lot of diseases there that the farmers do not prevent (...) So, I was going to vaccinate them. And I remember a period in which my mom lost an animal due to negligence of the veterinarian. But no, with the birth of my son, everything changed."*⁷⁵

Some respondents are satisfied because they would not be able to find another job, due to employment shortages.

*"For the moment no... There is no work for me. Thanks to my age also. There is no good job. They want younger and more flexible workers. Therefore I am dedicated to this."*⁷⁶

One respondent said that she actually never thought about her dreams, that this activity is something that crossed her path and that she is doing.

*"Yes, I am satisfied, but other jobs, I don't think that I can do them, I don't have time... My dream... I haven't thought about it."*⁷⁷

Thus, households at first tell they are satisfied with their job and running the HBE, but once asked about what they really want to do, it seems that the question: 'What do you want to do?' is of less importance than the question: 'What are you able to do?'. Life changed course and households reconcile to this. It seems that often there is no choice. From this it turns out that the advantages of operating within the informal sector, such as little need of experience, little need of capital, flexibility, having a job inside the house etcetera, are of big importance. Households are satisfied with that, even though they have other dreams.

There are several things households like the most of running their HBE. The most mentioned are things related to contacts in the neighbourhood. Households like the fact that they know more neighbours, that they are more in contact with them, and that the neighbours help them sometimes. They feel more part of society.

*"The most valuable is that they know you, the people know you, society knows you... One is more participating in the neighbourhood, for example in meetings."*⁷⁸

*"Mostly attending the customers... Because every customer talks with you, you know their problems, you know more of the people, more of life, bit by bit I get to know more society. And this strengthens me. I am not the only person with problems, there are worse cases... because the people they inform me... we are buddies."*⁷⁹

The next section is going more into detail about this relationship between being part of the neighbourhood and performing a HBE. Other things households mentioned that they like about running a HBE are more related to the activity itself, for example that the activity is easy and accessible, or that they just like to do it, or they like to sell and generate money.

⁷⁴ Interview Household 2, 2010

⁷⁵ Interview Household 16, 2010

⁷⁶ Interview Household 11, 2010

⁷⁷ Interview Household 8, 2010

⁷⁸ Interview Household 3, 2010

⁷⁹ Interview Household 12, 2010

However, this does not mean that households are totally satisfied with the way their HBE is realized. Almost all households have ideas about changes concerning their HBE. Most changes they mention have to do with either improving their enterprise, for example hiring more workers, buying more machines, improving the quality of the work, in order to sell more and generate more income, or moving their enterprise to a more commercial place, where they can sell more. However, again capital seems to be a restricting factor.

*"We are thinking of starting a bigger enterprise and move it to a commercial zone (...) It could be possible with a little bit more money (...) I would like to go to a commercial zone because there one sells more. Here not, because this is not a commercial zone, this is a remote area."*⁸⁰

*"Yes, the tables, the chairs, all the painting. Yes, a little rebuilding would be perfect (...) But the money is what we lack. Without money you do nothing. We finish paying our debt and we'll see whether they give us another credit to carry out this rebuilding."*⁸¹

The economic importance of the HBE is also evidenced by the fact that most households would feel bad if they could not continue their HBE. They would lack the money or they would miss the activity itself. It provides them with income, but also seems to be a social activity which distracts them, gives them some emotional stability, and helps them make it through the day. They would miss it, or would feel bored or useless. Households attach some emotional value to the activity itself.

*"I would get sick (...) I would miss it. I think I would stress out (...) I would be bored."*⁸²

*"Bad, without money. I would have nothing."*⁸³

However, some households are also very practical. They would care less and would search for another activity to do. It seems that they attach less value to the activity itself than others.

*"I think we would realize another activity. Obviously we are not going to do the same, because during the long time she has lived here and during the short time I have lived here, we almost didn't attach to realizing this activity."*⁸⁴

5.2.2 Interaction between the neighbourhood and the HBE

This section deals with the interaction between the neighbourhood and the HBE and goes into detail about the households' perception of the neighbourhood, dependence on the neighbourhood, competition and jealousy, and a change of social position within the neighbourhood due to realizing a HBE.

⁸⁰ Interview Household 3, 2010

⁸¹ Interview Household 14, 2010

⁸² Interview Household 12, 2010

⁸³ Interview Household 13, 2010

⁸⁴ Interview Household 2, 2010

Households' perception of their neighbourhood

Households in the Zona 16 de Julio are quite satisfied with their neighbourhood (Table 5.5).

Table 5.5: Satisfaction of households with the neighbourhood in the Zona 16 de Julio in 2010 (as percentage of total)

0 = non HBE 1 = HBE	Beauty		Safety		Public services		Location	
	0	1	0	1	0	1	0	1
Very unhappy	3	7	16	18	1	1	1	1
Unhappy	4	1	27	28	5	2	3	1
Neutral	48	43	29	25	42	37	40	32
Happy	41	42	27	26	47	53	43	58
Very happy	4	7	1	3	5	7	13	8
Total (N=)	553	138	554	138	554	137	549	137

Source: Survey 2010

Households like to live in their neighbourhood, have a lot of contacts with their neighbours and experience a positive development of the neighbourhood. The most satisfied they are with the location of their neighbourhood as well as the public services in their neighbourhood. Chapter three already has shown that the Zona 16 de Julio is

a centrally located area in the city of El Alto and a very consolidated area, close to many services and with relative easy access to infrastructure. Most households have access to water, electricity and the sewage system. Also already sixty percent of the households joined to the natural gas system. Most streets are asphalted now since a couple of years. Households are also pretty satisfied with the beauty of their neighbourhood. It turns out that significant relationships exist between the satisfaction with the beauty of the neighbourhood and the location of the neighbourhood, and the possession of a HBE.⁸⁵

However, households are less satisfied with the safety in their neighbourhood (Table 5.5). They experience a lot of inconvenience of drunk or violent people and a lack of control by the local government or the police.

"Since a year my neighbourhood is asphalted. Because before it was only sand. There was a lot of dust, but now it is asphalted and they also would like to raise the sidewalks. (...) sometimes I am not contented, because people are not the same. There are persons who likes it clean, they clean up, the sweep, they don't put their waste on the street. But most of the times people here don't care that much. You can see... there is waste... I would say it would be more clean [now that there is asphalt]. But no. Persons are not the same. Also there is a lack of security. (...) there are many delinquencies. (...) It is dangerous. They molest you (...) and for that we need security. Things that we ask for but are conspicuous by their absence."⁸⁶

Thus, households are quite satisfied with their neighbourhood, fortunately, because eighty percent of the households with a HBE mention that their neighbourhood is important for their HBE. The importance of the neighbourhood for the HBE is reflected in three aspects. First, households are to a great extent dependent on the neighbourhood in terms of the sales market of their HBE. Many HBEs are rather non-basic than basic, meaning that they serve the local public and the income generated by the HBE comes from the neighbourhood and stays in the neighbourhood. Second, by being part of the neighbourhood, many HBE operators also experience competition and jealousy. And third, a positive outcome is that operating a HBE can also change the social position of a household in the neighbourhood.

The neighbourhood as sales market

The first factor concerning the importance of the neighbourhood for the HBE is the dependence on the neighbourhood in terms of the sales market and the help of neighbours.

⁸⁵ Satisfaction with beauty: Chi-square test, significance level = 0.043, Cramer's V = 0.119
Satisfaction with location: Chi-square test, significance level = 0.033, Cramer's V = 0.133

⁸⁶ Interview Household 11, 2010

Table 5.6: Neighbours as most important customers sorted by type of HBE in the Zona 16 de Julio in 2010 (as percentage of total)

	'The neighbours are my most important customers'		
	'I agree'	'I do not agree'	Total (N=)
Industry	30	70	56
Commerce	54	46	10
Catering	70	30	57
Services	69	31	13
Total sectors	47	53	100
Total (N=)	72	64	136

Source: Survey 2010

In most sectors HBE operators mention that their most important customers are their neighbours, especially in the sectors of catering and services (Table 5.6). Activities in these sectors apparently are more non-basic than basic. This also results from the in-depth interviews in which most respondents mentioned that their most important customers are neighbours, friends, family, children that go to a school close by, or people that have a job close by. However, this does not apply for the sector of industry and handicrafts. There turns out to be a significant difference between this sector and other sectors.⁸⁷ HBE operators in the sector of industry and handicrafts, in contrast to HBE operators in other sectors, think relatively more often about their clients as coming from outside the neighbourhood. Enterprises in the sector of industry and handicrafts apparently are more often basic enterprises, meaning that they attract also customers from outside the direct neighbourhood. An explanation for this is that activities in this sector often require more skills and that the entrepreneurs are known for their good quality amongst a larger public. A good example of this is again the owner of a car mechanic enterprise (see text box 4.1).

"The most important customers at the moment are private individuals, anybody who comes by. But there were times, when I started here in El Alto, in which I worked with only the air force. After that a while with the police, later I worked with bus drivers, later I have worked with CORDEPAZ, an institution of the state. Lately I have worked with the American embassy. (...) Now they are only private individuals. (...) Some come from the city below. Others come from other parts."⁸⁸

More obvious is the difference between HBEs that are located in the market area and HBEs

Table 5.7: Neighbours as most important customers sorted by location of HBE in the Zona 16 de Julio in 2010 (as percentage of total)

	'The neighbours are my most important customers'		
	'I agree'	'I do not agree'	Total (N=)
Market	27	73	93
Non-market	43	57	48
Total Zona	53	47	100
Total (N=)	75	66	141

Source: Survey 2010

that are located outside this area (Table 5.7). In the area outside the market some more than forty percent of the HBE owners mention that their most important customers are their neighbours, while only 27% of HBE operators that are located in the market area mention that their most important customers are their neighbours. This is an important and significant difference.⁸⁹ There has already been mentioned several times that the market area is a special place within the Zona 16 de Julio, that attracts a lot of 'foreign' entrepreneurs that do not live on the same place as their work. Table 5.7 shows that the market area also attracts a lot of 'foreign' customers that are attracted by the wide variety of products offered at the market. HBEs in this market area are more often basic enterprises that not predominantly serve the local population, but more often people from outside, which means that there is money from outside brought into the neighbourhood. This is an important economic incentive, as chapter four already mentioned, since HBEs in the market area generate significantly more income than other HBEs.

⁸⁷ Chi-square test, significance level = 0.007, Cramer's V = 0.299

⁸⁸ Interview Household 9, 2010

⁸⁹ Chi-square test, significance level = 0.001, Cramer's V = 0.284

Thus, HBE operators are often dependent on the neighbourhood for their sales market, since many of them are rather non-basic than basic enterprises. However, they do not experience many help from neighbours (Table 5.8). Most HBE operators do not experience much help from their neighbours. They mention that they operate completely independent.

Again big differences can be found between HBEs located in the market area and HBEs located outside that area (Table 5.9). In the non-market area about 46% of the HBE operators experience help from their neighbours, while in the market area only about 24% of the HBE operators experience some help

of their neighbours. This is an important and significant difference.⁹⁰ In the market area HBE operators often operate more independently than HBE operators outside this area.

Thus HBE operators are sometimes quite dependent on their neighbourhood, rather with respect to their sales market than with respect to the help they experience from their neighbours. An important factor is the location of the HBE. In the market area HBE operators are less dependent on their neighbours for their sales and for help than HBE operators that run their businesses outside this area. The market area attracts a lot of 'foreign' entrepreneurs as well as customers and HBEs in this area have a somewhat different function within the neighbourhood, a more basic function, than HBEs located in the more marginal areas, where HBEs more often serve the local public.

Competition and jealousy

One of the negative ways in which HBE operators experience an impact of the neighbourhood on their HBE is competition with other entrepreneurs in the neighbourhood (Table 5.10). The majority of the HBE operators experience competition with other entrepreneurs in their neighbourhood. However, this appears significantly more often in the sectors of commerce, catering, and services than in the sector of industry and manufacturing.⁹¹

Table 5.8: Help of neighbours sorted by type of HBE in the Zona 16 de Julio in 2010 (as percentage of total)

	'The neighbours help me with realizing my HBE'		
	'I agree'	'I do not agree'	Total (N=)
Industry	32	68	56
Commerce	43	57	10
Catering	50	50	58
Services	46	54	13
Total sectors	39	61	100
Total (N=)	54	83	137

Source: Survey 2010

Table 5.9: Help of neighbours sorted by location of HBE in the Zona 16 de Julio in 2010 (as percentage of total)

	'The neighbours help me with realizing my HBE'		
	'I agree'	'I do not agree'	Total (N=)
Market	24	76	93
Non market	46	54	49
Total Zona	39	61	100
Total (N=)	55	87	142

Source: Survey 2010

Table 5.10: Experienced competition sorted by type of HBE in the Zona 16 de Julio in 2010 (as percentage of total)

	'I experience competition with other persons in the neighbourhood with the same activity'		
	'I agree'	'I do not agree'	Total (N=)
Industry	35	65	55
Commerce	67	33	10
Catering	80	20	58
Services	69	31	13
Total sectors	55	45	100
Total (N=)	61	75	136

Source: Survey 2010

⁹⁰ Chi-square test, significance level = 0.011, Cramer's V = 0.212

⁹¹ Chi-square test, significance level = 0.001, Cramer's V = 0.347

Table 5.11: Experienced competition sorted by location of HBE in the Zona 16 de Julio in 2010 (as percentage of total)

	'I experience competition with other persons in the neighbourhood with the same activity'		Total (N=)
	'I agree'	'I do not agree'	
Market	50	50	48
Non-market	56	44	93
Total Zona	54	46	100
Total (N=)	65	76	141

Source: Survey 2010

However, no significant differences exist in the experience of competition between HBEs located in the market area and outside this area (Table 5.11). This is remarkable, since most economic activity takes place in the market area and economic activity in this area is extremely clustered as the chapters two

and three have shown. In spite of this, HBE operators located in the market area do not experience significantly more competition than other HBE operators. It is difficult to find a reason for this, since it is actually not logical at all.

The sometimes strong competition HBE operators experience results in jealousy, rather

Table 5.12: Experienced jealousy sorted by type of HBE in the Zona 16 de Julio in 2010 (as percentage of total)

	'I experience jealousy from the neighbours due to realizing my HBE'		Total (N=)
	'I agree'	'I do not agree'	
Industry	20	80	54
Commerce	30	70	10
Catering	50	50	57
Services	50	50	12
Total sectors	29	71	100
Total (N=)	39	94	133

from competing colleagues than from neighbours. Table 5.12 shows that most HBE operators do not experience real jealousy from their neighbours. From the in-depth interviews it turned out that when HBE operators experience jealousy, it is from their fellow entrepreneurs whether or not with the same activity.

*"The shops are jealous, the neighbours not. They open a shop and they are jealous, because it's a new shop and then jealousy starts, due to the competition."*⁹²

Competition and jealousy affect HBE operators and their businesses in two ways, both economically as well as socially. To start with the economic consequences, it turns out that HBE operators sometimes find it difficult to renew the enterprise, to increase their incomes from it, and to maintain the enterprise due to other entrepreneurs in the neighbourhood who try to sell their products for a lower price or try to keep away their clients or their suppliers.

*"Ah yes, a lot of competition. (...) For example, in the percentage, here next door they say they are lending for five or seven percent. (...) They are open since a week. (...) Because it is new it is lower. (...) Now there are coming more and more and my clients and my incomes are decreasing."*⁹³

*"Yes I have seen it. (...) The truck doesn't bring me Coca Cola here. I have to get it three blocks away at an agency. (...) I asked them to lend me bottles, but they don't want to. (...) In the corner there is a shop, next door there are shops and I have seen that they become jealous (...) because I opened my shop."*⁹⁴

Besides the economic impact of competition and jealousy, HBE operators also experience social consequences. There is a lot of talking in the neighbourhood amongst entrepreneurs themselves or amongst entrepreneurs and customers or neighbours. In one's face they talk respectable, but behind one's back they talk dirty. Also fellow entrepreneurs sometimes try to ruin the households' enterprises by causing inconvenience, such as putting waste in front of the door or breaking parts of the shop. This all to emotionally break the households or the HBE operator in order to stop them from realizing their enterprise.

⁹² Interview Household 2, 2010

⁹³ Interview Household 7, 2010

⁹⁴ Interview Household 11, 2010

"In front of you they talk respectable, but behind your back they talk dirty. But we are already used to that."⁹⁵

"It happened sometimes, when we started to sell good. They started to bring me chewing gum, burning cigarettes, waste (...) here outside. (...) Here in front of the door they pour oil, all those things. So, in the neighbourhood they asked us: 'Why do you throw all that food outside?' (...) We explained: 'We didn't do it! (...) Jealous people brought it to make us look bad in the neighbourhood'. That's what they did to us!"⁹⁶

Thus, a negative way in which HBE operators experience an impact of the neighbourhood on their HBE is by competition and therefore jealousy amongst competing entrepreneurs in the neighbourhood, which affects them both economically and socially.

Change of social position within the neighbourhood

The interaction between the neighbourhood and the HBE can also operate the other way around. Instead of looking at the role of the neighbourhood on the HBE, one can also look at the role of the HBE itself on the position of the household within the neighbourhood. Then it turns out that next to an economic activity a HBE is also a social activity, which leads to a better social position of the HBE operators in the neighbourhood.

The tables 5.13 and 5.14 show that with respect to the survey, HBE owners were not quite convincing about having a better social position or status within their

neighbourhood as a result of operating their HBE. This could be explained by the fact that probably this question was not understood well enough. The same question has been asked during the in-depth interviews and it turned out that some respondents needed a bit of explanation. However, by asking several more questions

respondents in the in-depth interviews did understand the tenor of this question and were able to answer it. Therefore the in-depth interviews were a lot more convincing on this subject. From the interviews it became clear that realizing a HBE is not only an economic activity but also a social activity. HBE operators mentioned that before starting their HBE they barely had any contacts in their neighbourhood. Now that they realize their HBE they are much more known in the neighbourhood and know a lot more neighbours. Therefore they have more contacts with neighbours, who greet them and come by to chat. They feel more socially connected with their neighbours. They become more respected for the activity they have and they escape their closed life and enter the rest of the world (Text box 5.2).

Table 5.13: Social position of HBE owner sorted by type of HBE in the Zona 16 de Julio in 2010 (as percentage of total)

	'I have a better status in the neighbourhood due to realizing my HBE'		Total (N=)
	'I agree'	'I do not agree'	
Industry	42	58	55
Commerce	52	48	10
Catering	70	30	50
Services	46	54	13
Total sectors	47	53	100
Total (N=)	60	68	128

Source: Survey 2010

Table 5.14: Social position of HBE owner sorted by location of HBE in the Zona 16 de Julio in 2010 (as percentage of total)

	'I have a better status in the neighbourhood due to realizing my HBE'		Total (N=)
	'I agree'	'I do not agree'	
Market	41	59	89
Non-market	48	52	44
Total Zona	46	54	100
Total (N=)	61	72	133

Source: Survey 2010

⁹⁵ Interview Household 4, 2010

⁹⁶ Interview Household 3, 2010

Text box 5.2: Sonia – Book store and phone calls centre

Sonia lives in the Villa Ballivian in El Alto. When Sonia became a widow ten months ago, she needed to find a job to maintain herself and her four studying children. Since one month she is owning a bookstore and phone calls centre. The most valuable thing of owning this enterprise for her is the contact she has with the children. This distracts her a bit. The bookstore changed her life dramatically. Before she did not go out and she did not know the neighbours. Now everybody knows her, they greet her and they come by to chat. Other women talk about their problems, which makes her feel not alone. Sonia realizes that she is not the only woman with problems and this makes her feel comfortable.

In sum, in spite of competition and jealousy, HBE operators experience the positive outcomes of being more socially connected with their neighbours as a positive change in their social life.

5.3 Conclusion

Operating a home-based enterprise is both economically as well as socially of big importance to the households.

Most households start or operate a HBE mainly out of economic needs, therefore the economic significance of a HBE is most important for households. Most households use the income generated by the HBE mainly for the basic needs of maintaining a family. Some households have left some money that they are able to spend on other things such as saving money. For some households the HBE income is sufficient, while for others not. Many households therefore have several income sources of which the HBE is one. However, the HBE income often is a very insecure income and at the same time rarely generates enough money for creating a buffer for times when incomes are worse. Although the HBE income is not always that much compared to other incomes, it is an extremely important income source for the households involved. Without this income they sometimes would not be able to pay for their most basic needs, while in other cases the income is a welcome extra penny in the pocket. However, many households operating a HBE still think of their current financial situation as far from ideal and it sometimes is difficult to increase the HBE income in order to improve this situation, due to competition or a lack of capital or space.

Although the majority of the households start or operate a HBE out of economic needs and the most important benefits of running a HBE are the (extra) incomes, a HBE is not only an economic activity, but also a social activity. The neighbourhood of which HBE operators and their family are part of is in several ways important for running the HBE. In the first place, because HBE operators are quite dependent on their neighbourhood in terms of their sales market. Especially in the more marginal areas (the non-market area) of the Zona 16 de Julio, the most important customers of the HBEs are the neighbours, which makes these HBEs often non-basic enterprises rather than basic enterprises. However, HBE operators experience also negative ways in which the neighbourhood affects the HBE, such as competition and jealousy. Economic activity is often clustered in the Zona 16 de Julio, which generates a lot of competition. This results in jealousy amongst entrepreneurs, which affects HBE operators not only economically, but also socially. In spite of competition and jealousy HBE operators experience a better social position in the neighbourhood, because they are more known, have more contacts, and receive more respect. They experience this as pleasant for their working spirit and their life in general.

The economic significance of operating a HBE is of course a leading factor, since households start or operate a HBE out of economic needs and the HBE is economically of big importance to households. However, the positive outcome of this is the social aspect of a better social position in the neighbourhood, which improves the quality of life of many households and makes the HBE not only an economic activity, but also an important social activity.

D

Discussion and conclusion

Home-based entrepreneurship is a common phenomenon, which has become part of the daily reality in the city of El Alto, as in many other cities in developing countries. This study focused on home-based enterprises in three neighbourhoods in the city of El Alto in Bolivia, together called the Zona 16 de Julio, and their economic and social significance for the households performing them.

Overview and discussion of the main findings

Neighbourhood consolidation and urban transformation in the Zona 16 de Julio

The Zona 16 de Julio consists of some of the oldest and most consolidated neighbourhoods of the city of El Alto. El Alto is known as a migrant city. However, nowadays about sixty percent of the population in the Zona is born within the city of El Alto. Mainly the older generations are still the former migrants, while the younger generations are more often born in the city itself.

The Zona has been through and still is going through important processes of neighbourhood consolidation and urban transformation, which are clearly reflected in demographic, socio-economic, residential, and functional characteristics of the Zona. To start with the first, the Zona 16 de Julio no longer has the always so young population that is a characteristic of developing countries. The population in the Zona becomes older. This is quite unique for a developing country, but also within the city of El Alto, whose population is somewhat younger than the population of the Zona. This could prove the consolidation of the neighbourhoods and the social development that is taking place as a result of it.

The process of neighbourhood consolidation in the Zona 16 de Julio is also reflected in socio-economic characteristics of the Zona. Through time the socio-economic level of the residents improved considerably. With respect to education, a lot improved in the Zona. The education attainment level of the residents increased, the educational participation increased, and gender differences in educational participation decreased. However, there are still persons without education or with a low level of education, and children that leave school premature. Also with respect to the labour market, a lot improved in the Zona. More people are economically active, more people stay longer economically active, and differences between men and women on the labour market decreased with respect to participation and income, since the labour market becomes easier accessible for women. However, many more people are nowadays self-employed, which often means they are informally employed. Three indicators show this importance of the informal sector. First, just over one third of the population is employee, which means that all the others are self-employed or day labourer. Self employment, as already mentioned, often means informality. Second, only two third of the population has a permanent job, which means that only one third has a temporary or occasional job. And third, just over one third of the population has a fixed income. The rest has an eventual or daily income or gets paid for the amount of work delivered. In spite of the increasing participation on the labour market, labour relations, as well as job stability and the type of income show that many people only find a job by being self employed, which is often informal and insecure. Most people are working as a merchant, especially women. Other common occupations are drivers and technical jobs for men, and tailors and artists for both men as well as women.

Neighbourhood consolidation is also reflected in the residential characteristics of the Zona 16 de Julio. As a result of rapid growth and an increasing pressure on space, the Zona 16 de Julio has been through and still is going through a process of densification, both horizontally as a result of the division of plots and the extensive use of plots, as well as vertically, as a

result of higher buildings. This resulted in an increased amount of space per household. Households have managed to occupy more floors, rooms, and bedrooms, and often got access to a shower, a toilet, and a kitchen. Living circumstances also improved, with respect to improved building materials and an increased level of service provision. Many houses are now built with bricks, that provide the owner with more status, instead of adobe, a relatively cheap building material. Almost all households have access to electricity, water, and sewerage, and about sixty percent already to natural gas.

The above mentioned characteristics reflect very clearly the process of neighbourhood consolidation in the Zona, in which densification occurred, the level of service provision increased, living circumstances improved, and the socio-economic level of the residents increased. This process of neighbourhood consolidation is accompanied by a process urban transformation. As a result of a higher level of consolidation, the neighbourhood became economically more attractive for entrepreneurship and investment. This resulted in a process of urban transformation in which the relative location of the Zona changed and the functional use of land in the Zona changed. Due to the urban sprawl of the city of El Alto, the Zona now is the city centre and completely consolidated. This has been an important aspect for economic activity in the Zona. Due to the central location of the Zona, the Zona is an economic attractive area and developed itself as the economic heart of the city of El Alto. The presence of a weekly market, the *Feria 16 de Julio*, is an important factor in this. It attracts a lot of people, also from outside the city, and makes the Zona economically attractive to entrepreneurs. The economic attractiveness of the Zona expresses itself in the functional change of land use and the growing economic activity in the Zona. First, more plots in the Zona are used for economic activity, while the plots only used for residential goals are decreasing. This happens mainly in the Villa 16 de Julio, which is the more central located neighbourhood of the Zona, and along the main roads. Second, the amount of economic activities per plot is increasing, which results in mixed land use or sometimes even a disappearance of the residential function of a plot. Third, more often different activities within different economic sectors occur on the same plot. And fourth, the sector of commerce is the most popular sector for economic activity. However, remarkable differences exist between the different neighbourhoods of the Zona concerning the amount of economic activities and the type of economic activities. The more centrally located neighbourhood, the Villa 16 de Julio, can be characterized by more economic activity divided amongst less different economic sectors, due to economic clustering and an arsenal of economic activity that is integrated with the type of products sold on the market. The more marginal neighbourhoods can be characterized by less economic activity, but more non-basic activities, serving the local population, within relative more different sectors.

Neighbourhood consolidation is often seen as a precondition for entrepreneurship. When a neighbourhood develops socio-economically as well as residentially and morphologically, a neighbourhood becomes economically more attractive to invest in. That is exactly what happened in the Zona 16 de Julio. However, remarkable differences exist in economic activity between the three different neighbourhoods the Zona consists of. The Villa 16 de Julio is the economic heart of the city where most economic activity takes place, while the other neighbourhoods are characterized by more non-basic activities, serving the local demand of the residents. Yet, at the same time there are not so clear differences in neighbourhood consolidation between the three neighbourhoods. In all three neighbourhoods densification took place and residents got access to basic services. Although economic activity increases in the other two neighbourhoods, still most economic activity takes place in the Villa 16 de Julio. Apparently entrepreneurship is influenced by other factors as well. In El Alto this factor mainly is the weekly market, the *Feria 16 de Julio*. The place where now is the Villa 16 de Julio has always been the location of a market. There always happened buying and selling on this place. Although neighbourhood consolidation is an enabling factor of entrepreneurship in the Zona, the presence of the market is a factor that makes entrepreneurship also attractive in the Zona. This results very clearly from the organization of economic activity in the Villa 16 de Julio. Economic activity is organized around the market in terms of types of activities, location of activities, and the working hours. The type of enterprise and the location of it on a specific plot in the neighbourhood depends on the type of product sold in that particular street on the market.

Also the big differences in economic activity between a market day and a non-market day show that the market is what makes it economically attractive to invest in the neighbourhood and start a business. Although the other two neighbourhoods of the Zona are as consolidated as the Villa 16 de Julio, still there is less economic activity. Neighbourhood consolidation indeed is a precondition for entrepreneurship, but especially the presence of the market makes entrepreneurship also economically attractive.

Home-based entrepreneurship in the Zona 16 de Julio

Home-based entrepreneurship is a common phenomenon in cities in developing countries. Literature has shown that the frequency, variety and organization of home-based enterprises (HBEs) often is very context dependent (Gough, 2010; Verrest, 2007). For this study this means that home-based entrepreneurship should be placed in the context of the socio-economic problems Bolivia is facing. About seventy percent of the population lives below the poverty line. This can be dedicated to the dependency of the Bolivian economy on the export of primary products, which leads to unemployment and sub employment. Bolivia is facing a formal unemployment rate of about ten percent, which has its roots in neo liberal policies. Many people lost their jobs and due to rural to urban migration this problem worsened in cities. As a result many people are sub employed, working under precarious conditions with respect to stability of labour, salaries and social protection. Many people have an instable job with a low salary and without social protection.

Findings should also be placed in the context of El Alto as a fast growing migrant city. El Alto has grown from nothing more than rural area to an independent city of almost one million inhabitants. In this situation an important informal sector arose with respect to employment creation. People created themselves employment, mainly through micro and small entrepreneurship. Many of these small enterprises are performed within the home.

In the Zona 16 de Julio one out of five households performs a home-based enterprise. Although most economic activity takes place in the central market area, most HBEs cannot be found in this area. A short analyses of the market area and the main roads shows that many entrepreneurs in this area do not live on the same plot as they work. The explanation for this can be found in variations in land prices. These are not so much investigated in this study, but have been investigated in previous years of the longitudinal research. Previous findings show an increase in land prices in the central area of the Zona 16 de Julio, which makes plots in this area sometimes too expensive to only use them for residential goals. House owners often rent out parts of their house. This enables 'foreign' entrepreneurs, interested in the economic attractiveness of the area, to invest in the neighbourhood and start up a business.

HBEs in the Zona 16 de Julio are concentrated in a few activities, but spread across several sectors. Most HBEs are performed in the sectors of commerce and handicrafts/industry, while the most occurring activities are tailors and small grocery stores. The types of HBEs in the Zona 16 de Julio and the division of them within the neighbourhoods is not consistent with economic activity in general in the Zona as analysed in chapter three. Apparently some activities are more suitable for being performed within the home than others. Most HBEs are started or operated out of economic needs, such as being able to make ends meet, and being able to pay for costs of making a living and maintaining a family, such as food and rent.

In literature there is argued a strong link between informality and home-based entrepreneurship (Tipple, 2005; Verrest, 2007). Informal enterprises have several characteristics: (1) few activities, spread across a wide spectrum of industries, (2) products are made and sold at the same place, (3) few workers, mainly family members, that make long working hours, (4) unregistered, (5) operators have low incomes, (6) low investments and limited access to credit, and (7) domestic and business assets are not separated (Tipple, 2005). This study has shown that indeed the majority of the HBEs in the Zona 16 de Julio are informally organized. First, the far majority of the HBEs are micro enterprises with on average 2.2 employees. However, HBEs in the sector of production are slightly bigger than HBEs in the sector of commerce. Second, operating a HBE is mainly a family

affair. The majority of the HBEs are ran by the head of the household or the wife/husband, while this person is helped by the spouse or the children. Only about one out of ten households makes use of external (paid) employees. Running a HBE is often a full time job. In some cases the operator makes extremely long working hours, when they wake up at five or six in the morning to prepare everything for their work and close the shop at ten or eleven at night. Third, at least sixty percent of the HBEs in the Zona are not officially registered. Reasons for this can be found in confusion about how to register and the conviction that it is not necessary to register because no one will come to control registration. The choice of being informal and unregistered does not only have to do with reluctance and the feeling that registration would not serve the business, but also with a strong cultural aspect that determines whether people are willing to get out of their comfort zone in order to create opportunities to expand their business. Many entrepreneurs are not (yet) willing to get out of their comfort zone due to a lack of knowledge of the advantages of being registered. Fourth, the type of HBEs operated in the Zona do not require that many skills and experiences. The most necessary skills mainly are general business skills. HBE operators often acquired the skills they need in an informal way, by working as employee and later on starting their own business or from generation to generation. The fact that households operate HBEs that require low skills can be found in the lower education level of HBE operators. Fifth, with respect to the discussion in literature about the relationship between poverty and home-based entrepreneurship, the data in this study indeed does not show any link between poverty and HBEs. The HBE do not generate less income than other jobs. For six out of ten households with a HBE, the HBE is not the only income source. Many households have several income sources and therefore households with a HBE are not poorer than households without. However, with respect to the amount of income generated by the HBE, there can be found more marginal HBEs in the more marginal areas of the Zona. Sixth, it would not be logical either that households with a HBE are poorer, since starting or operating a HBE requires quite some financial capital. The majority of the households invested to start up their business and half of the households also made further investments. These investments are mainly financed by own savings, while some made use of some kind of loan, more often for their first investment than for further investments. A HBE in which higher investments have been done, eventually also generate more money. The investments made are up to six times the monthly income generated. Seventh, the majority of the households with a HBE uses a separate place of the house to operate their business. However, in some cases this place is part of a room only fenced off by, for example, a curtain.

Although home-based entrepreneurship in the Zona 16 de Julio indeed follows the characterization of informality, there are two discussion points to mention. In the first place literature argues that home-based enterprises are family run, mainly operated by women, since the home is considered to be the domain of women and a HBE enables women to combine their productive activities with their reproductive responsibilities (Gough, 2010). However, this study does not support that argument. On the contrary, most HBEs are operated by men. This can be explained by the type of HBE performed. El Alto is a typical industrial city, many HBEs are operated in the sector of handicrafts and industry. These activities are mainly performed by men, while women mainly operate HBEs in the sector of commerce. It turns out that the type of enterprise is more important for the organization of the HBE than the fact that the house is used as business location. Another explanation can be the increasing participation of women on the 'formal' labour market. More often women are participating as a formal employee and less often by means of self employment. Apparently the labour market becomes easier accessible for women. Women are no longer forced to find a job by being self employed.

The second discussion point has to do with the assumed link in literature between poverty and home-based entrepreneurship. However Tipple (2005) already disproved this connection. By adopting the triple role of owner, investor and worker, HBE operators do not earn less than comparable waged workers in the formal sector. The findings of this study indeed support the last argument. The findings do not show any connection between poverty and home-based entrepreneurship., which should be explained by the context of the Zona 16 de Julio. Findings cannot be generalized for the whole city of El Alto. The Zona

is such a specific place within the city. It consists of the economic heart of the city and some neighbourhoods that benefit from this. In this area do not live the poorest of society, since it is a more consolidated and more expensive area. Households in this area managed to secure a living with the help of the economic potential of the Zona. The Zona is an area with a certain degree of Local Economic Development, there is money to make, but only for the households that are somewhat better off. Maybe a study in the whole city of El Alto indeed shows this connection between poverty and home-based entrepreneurship. However, this is questionable, since starting a business always requires the possession of productive and financial assets.

The economic and social significance of home-based enterprises in the Zona 16 de Julio

Operating a home-based enterprise is both economically as well as socially of big importance to the households.

The economic importance of a HBE is the most convincing. The majority of the households start their HBE out of economic needs, as with every job. Therefore the biggest benefit is the (extra) income source provided by the HBE. Most households use the income generated by the HBE mainly for the basic needs of maintaining a family. Some households have left some money that they are able to spend on other things such as saving money. For some households the HBE income is sufficient, while for others not. Many households therefore have several income sources of which the HBE is one. However, the HBE income often is a very insecure income and at the same time rarely generates enough money for creating a buffer for times when incomes are worse. Although the HBE income is not always that much compared to other household income sources, it is an extremely important income source for the households involved. Without this income they sometimes would not be able to pay for their most basic needs, while in other cases the income is a welcome extra penny in the pocket. However, many households operating a HBE still think of their current financial situation as far from ideal and it sometimes turns out to be difficult to increase the HBE income in order to improve this situation, due to competition or a lack of capital or space.

Although the majority of the households start or operate a HBE out of economic needs and the most important benefits of running a HBE are the (extra) incomes, a HBE is not only an economic activity, but also a social activity. The neighbourhood of which HBE operators and their family are part of is in several ways important for running the HBE. In the first place, because HBE operators are quite dependent on their neighbourhood in terms of their sales market. Especially in the more marginal areas (the non-market area) of the Zona 16 de Julio, the most important customers of the HBEs are the neighbours, which makes these HBEs often non-basic enterprises, serving the local public, rather than basic enterprises, serving a broader public. However, HBE operators experience also negative ways in which the neighbourhood affects the HBE, such as competition and jealousy. Economic activity is often clustered in the Zona 16 de Julio, which generates a lot of competition. This results in jealousy amongst entrepreneurs, which affects HBE operators not only economically, but also socially. In spite of competition and jealousy HBE operators experience a better social position in the neighbourhood, because they are more known, have more contacts, and receive more respect. They experience this as pleasant for their working spirit and their life in general.

The economic significance of operating a HBE is of course a leading factor, since households start or operate a HBE out of economic needs and the HBE is economically of big importance to households. However, the positive outcome of this is the social aspect of a better social position in the neighbourhood, which improves the quality of life of many households and makes the HBE not only an economic activity, but also an important social activity.

Although the marginality and informality of HBEs, they are of big economic and social importance to the households performing them. In literature informality is often seen as a stepping stone towards formality and without this stepping stone, formality might never be

achieved (Bennet, 2010). However, this depends on the chances there are for reaching formality. The labour market in Bolivia is extremely segmented with limited mobility between the segments and with some people trapped in low-income jobs. In spite of the economic potential of the Zona 16 de Julio, the findings show that many HBE operators are quite successful in maintaining their business, but do not operate without difficulties. Problems HBE operators experience are little sales, competition, seasonal fluctuations, personal circumstances, increasing costs, and a lack of financial capital. Many HBE operators are therefore not able to expand their business. It is unlikely that the majority of these people will reach formality in a certain amount of time. Realizing a HBE in the Zona is therefore rather a survival strategy than an accumulation strategy.

Although operating a HBE in the informal sector does not seem to be a stepping stone towards formality, the informal sector is an important employer for many people in the Zona 16 de Julio that are not able to find another job or that mangle in poverty. The informal sector is a highly desirable sector, since activities in this sector are of big economic and social importance to the households.

Concluding remarks

The research area of this study, the Zona 16 de Julio, is a unique setting for research. It is part of the city of El Alto in Bolivia and has changed dramatically since the origination of the city. Demographic, socio-economic, residential and morphological changes make the Zona a consolidated and well-developed area attractive for entrepreneurship. Much economic activity is going on in the Zona, what attracts also many entrepreneurs and customers from outside the Zona and the city of El Alto. This makes the Zona the economic heart of the city of El Alto.

An important group of people are those households that use their house as their business location. Their enterprises are often marginal and informally organized. Often these HBEs are small, family run, not registered, and do not require many skills. However, in spite of the marginality and informality of these enterprises, they are of major importance to the households. The enterprise provides them with some (extra) income, of which they are able to pay for their most basic needs and sometimes even to save some money. Although this income is often very insecure and rarely enough to create a buffer for times when incomes are worse, it is a very important direct income source. Although, the economic significance of operating a HBE is of course a leading factor, the positive social outcome is that many HBE operators feel more respected in their neighbourhood and experience a better social position. That makes a HBE not only an economic activity, but also an important social activity, which improves the quality of life of many households dramatically.

It is not realistic to expect that these households ever develop a big and exporting business, but that is not at all their intention. By realizing a HBE these households are able to generate a welcome (extra) penny in the pocket and keep their head above the water. This makes them definitely not amongst the poorest of society.

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Appendix 1: Operationalization of concepts

Concept	Concept	Variables	
Facilitating context: Policies and interventions			
Business development	Direct support	Measures to improve the built environment	
		Provision of access to formal markets	
		Assistance to business support agencies	
		Public procurement programmes	
	Indirect support	Development of a local information base	
		Facilitation of periodic markets	
		Assistance for development of appropriate training	
		Extending business linkages	
		The establishment of or promotion of access to local technology centres	
Neighbourhood context			
Neighbourhood consolidation	Demographic characteristics	Age of population	
		Sex of population	
		Amount of household members	
		Types of households	
	Socio-economic characteristics	Education attainment level	
		Age specific participation in education	
		Age specific participation on the labour market	
		Labour relations	
		Job stability	
		Type of occupations	
		Type of incomes	
		Number of household members with an income	
		Residential characteristics	Amount of plots
	Amount of floors per building		
	Amount of families per building		
	Amount of floors per household		
	Amount of rooms per household		
	Amount of bedrooms per household		
	Households' access to shower		
	Households' access to toilet		
	Households' access to kitchen		
	Materials of walls		
	Materials of floors		
	Materials of roofs		
	Access to basic services		
	Tenure relations		
	Urban transformation	Functional characteristics	Function of plots
Land use for economic activity			
Type of economic activity			
Home-based enterprises			
Frequency of HBE		Amount of households realizing HBE	
Variety of HBE	Type of HBE	Location of HBEs within the research area	
		Amount of HBEs per sector	
Motive of HBE Organization of HBE	Motive of HBE	Amount of HBEs per type of activity	
		Motive of HBE	
	Size	Internal organization and employment relations	Amount of workers in HBE
			Person involved with daily responsibility
			Person involved with administration
			Person involved with main experience
			Sex of owner of HBE
			Amount of helpers
			Relation between helper and HBE operator
			Spent hours per week
Spent days per week			

	Invisibility	Registration
	Skills	Presence of skills
		Way of obtaining skills
		Education level
	Income	Income HBE
	Investments and credits	Amount of investments
		Types of investments
Types of equipment		
Money spent on equipment		
Consumption and production	Location within the house	
Continuity of HBE	Continuity of HBE	Amount of months HBE existence
		Experienced difficulties/problems
		Amount of HBEs failed
		Reasons for failure
		Amount of HBEs that changed their nature
		Reasons for changing nature of HBE

Economic significance of HBEs		
Use of the HBE income	Use of the HBE income	Use of the HBE income
Households opinion on HBE income	Households opinion on HBE income	Things households could not pay without HBE
		Sufficiency of HBE income
		Importance of HBE income compared to other incomes
		Importance of HBE income for quality of life
		Opinion on current financial situation

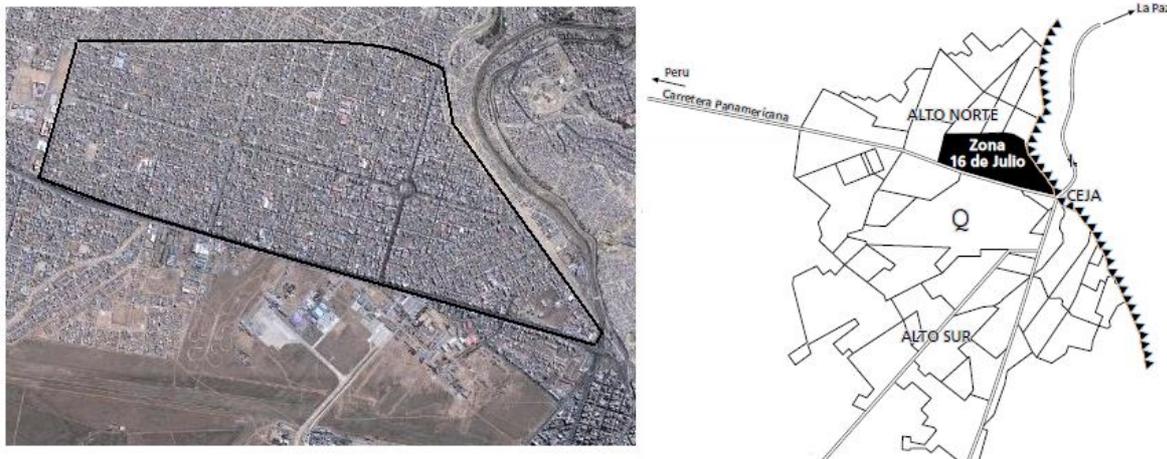
Social significance of HBEs		
Opinion on the HBE	Opinion on the HBEA	Satisfaction with HBE
		Things households like the most of running a HBE
		How they would feel with not continuing the HBE
Interaction between HBE and neighbourhood	Perception on neighbourhood	Households' perceptions on neighbourhood
	Dependence on the neighbourhood	Sales market
	Competition	Help of the neighbours
	Jealousy	Experience of competition
	Social status	Experience of jealousy
		Change of social position within neighbourhood

Appendix 2: Methodology

Research area and selection of households

The research area, the Zona 16 de Julio, is situated in the north of the city of El Alto, close to the Ceja, the big traffic junction in which all roads within El Alto, between El Alto and La Paz, and between El Alto and the hinterland are coming together (Figure A2.1).

Figure A2.1: Geographical location of the Zona 16 de Julio



Source: Google Earth, cited 16 January 2010

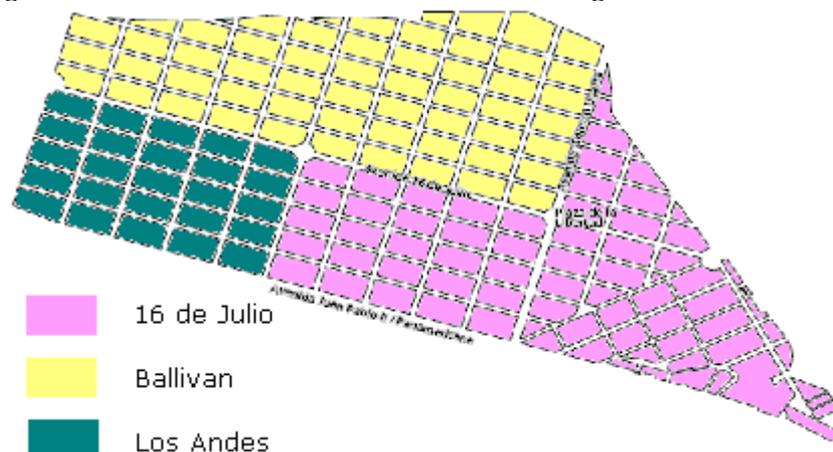
Adapted from: Kranenburg, 2002

The Zona is called after the most important of the three neighbourhoods the Zona consists of and is one of the more older and consolidated areas of El Alto (Kranenburg, 2002). The three neighbourhoods the Zona consists of are *Villa 16 de Julio*, *Ballivan*, and *Los Andes* (Figure A2.2).

Within the research area for about thirty years a longitudinal

research is carried out every five years. This longitudinal research started in 1982 in order to analyse the outcomes of a World Bank's project on neighbourhood upgrading in the neighbourhoods 16 de Julio and Los Andes in El Alto. In order to analyze differences between neighbourhoods that were participating in this upgrading project and other neighbourhoods, one adjoining neighbourhood without this project was added to the research, Villa Ballivan. The longitudinal research is carried out every five years in order to investigate the research area and its consolidation process.

Figure A2.2: The Zona 16 de Julio and its neighbourhoods



Adapted from: Kranenburg, 2002 & Van Rijn, 2006

Only a selection of households is participating in the longitudinal research. In order to conduct the first survey in 1982, the researchers used city maps created by the *Instituto Nacional de Estadística* (INE, National Statistics Institute) for the population census in the 1970s. In order to carry out the population census the INE divided the city into clusters of 25 households. The researchers in that times used INE's city maps in order to randomly select several clusters within the Zona. Each household of every plot within that cluster was included in the research. The research area consists of 155 blocks of which 36 clusters originally were selected for the research. Through time this selection of plots stayed the same. The only difference with each foregoing survey was the amount of households included in the research. As a result of dividing plots and densification in the Zona, each original cluster now consists of more households than before. Already during the last conducted survey, five years ago, the researchers were forced to make a selection of the original selection, since there were too many households involved for the amount of available time. Figure A2.3 shows the selection of clusters.



This research forms part of the longitudinal research in order to actualize the data and will include the same plots as in the last conducted survey in 2005. Based on the maps and database of five years ago, an exact inventory of which plots to visit had been made.

Methods of research

This research combines several methods of research in order to answer the research questions.

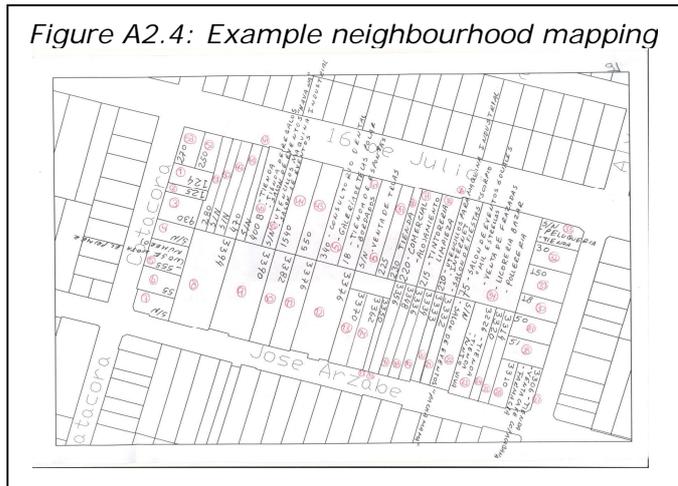
Literature search

Before carrying out the study in Bolivia a lot of scientific literature has been read in the Netherlands to get to know as much as possible about the research topic and underlying scientific theories.

Also during carrying out the study in Bolivia further literature has been searched in bookshops and libraries. Also through the in-depth interviews with institutions and organization a lot of additional literature is collected.

Neighbourhood mapping

The research area consists of 155 blocks. Through the help of planning maps of each block, provided by the host organization, each plot in every block is mapped out with respect to the house number and function in order to analyse whether the plot has an industrial, commercial, catering, institutional, service or residential function (Figure A2.4). Appendix 3 provides a complete list of all occurring land use functions in the Zona 16 de Julio.



Survey

The main body of this research is the survey. The survey is held amongst each household of every plot in the selected clusters in the research area as long as they want to participate. This survey is the part of the longitudinal research. Every five years the same survey is conducted amongst households on these plots in order to measure the new state of affairs in the Zona.

The survey consists of a questionnaire with general questions on the characteristics of the household members and their plot, which are already asked for several years in the longitudinal research. Besides, the questionnaire is expanded with more specific questions on the topic of this research. However, the research is conducted with one other peer student. Also her questions have been added to the questionnaire. Note, both researchers have their own research topic, but have combined their forces in order to conduct a successful survey.

Within this research the survey has been used to get some general insight into economic land use and entrepreneurship in the Zona and to get a general idea of the frequency, variety and organization of home-based enterprises in the Zona.

In total, 26 clusters of plots with a total of 931 plots were selected to participate in the research. Households have been approached to participate three times on different days and different moments of the days. On 453 of the 931 plots households were willing to participate in the questionnaire. On these 453 plots, 738 questionnaires have been conducted. A copy of the questionnaire is included in Appendix 4.

In-depth interviews

In order to combine the quantitative data conducted in the survey with more qualitative data, there have been held several interviews with households and organizations.

Concerning the households, the original plan was to select the to be interviewed households from the survey based on whether they realize a HBE or not, and visit them again in order to clarify the questionnaires and obtain more in-depth information. During carrying out the research this strategy turned out to be difficult, because families were not easy to find or not willing to cooperate another time. Therefore there had been decided to visit also other households with HBEs within the selection that had not participated in the survey. Door-to-door, households with an economic activity have been asked whether they live on the same plot and when they did they have been asked to participate in an interview. This strategy turned out to be more fruitful. In total seventeen in-depth semi-structured interviews have been carried out with households with different types of HBEs. Interviews consisted of questions on the organization of their HBE, motives behind HBE, and the economic and social significance of their HBE for the quality of their lives.

Concerning the organizations there have been conducted eight interviews with ministries, NGOs, local government, and other organizations which have the potential to influence households and their entrepreneurship.

All the interviews, with household as well as organizations, have been recorded and afterwards transcribed by a local friend.

Appendix 5 gives an overview of the in-depth interviews conducted with households and organizations.

Observation of economic activity in the market area

There has been made an observation of economic activity in the market area to analyse economic activity on each plot on a market day and a non-market day. Observation has only been done in those plots selected in the research that are part of the market area (these are blocks with the numbers 4, 12, 17, 20, 24, 33, 34, 51, 54, 57, 59, and 91, see figure A2.3).

Analysis of home-based enterprises in the main streets

An analysis has been made of home-based enterprises in the main streets (see figure A2.3) by door-to-door asking people with an enterprise in the selected plots of the research, whether they live on the plot or not.

Research assistants

Since the research is part of a longitudinal research, the research is relatively extensive. Therefore the researchers received help of local research assistants, provided by and working for the host organization, and paid by the University of Utrecht according to Bolivian standards. The research assistants, 22 in total, helped with the neighbourhood mapping and conducting the questionnaire. They have been trained by the researchers.

Note: All research methods have only been carried out in the selected plots, except for neighbourhood mapping, which has been carried out in the whole Zona 16 de Julio.

Experiences in data collection

An academic piece of work may not be complete without a critical reflection on the work done. In just a short amount of time an extensive study has been done. However, no study is carried out without troubles, also this one.

First, because this study formed part of a longitudinal research of the Utrecht University, it gained many advantages with respect to available information and databases as well as knowledge of which households to visit. However, carrying out such a big survey also worked against the objective of this study. First, the focus of this study was on home-based enterprises, but in the survey all households have been questioned, not only those with a HBE. Therefore only a few questionnaires, those of households with a HBE, could be used in the main analysis. Second, because the questionnaire combined questions of the longitudinal research with questions of this study and questions of the study of a peer student, there was a limited amount of space available in the questionnaire for the questions of this study. If this study would have stood by itself, more questions could have been asked amongst a bigger amount of households with a HBE.

Second, due to the size of the survey, collaboration with some twenty research assistants was necessary, which has been very interesting, since these local people know that much about their own city, information a researcher would never obtain by itself. However, it has also been a challenge. Every person has its own reality. Even though explained the procedures of carrying out the survey, at the end there are twenty different versions of the same questionnaire. Besides, research assistants, even though they got paid, are not always as precise. A lot depended on the skills of the research assistant. Some of them were better able to realize the questionnaire than others, because they were more convincing, self-confident, somewhat older and had more experience.

Third, some households were quite invisible. It turned out to be difficult to revisit respondents based on the questionnaire performed, since people said the respondent did not live in the house or people probably did not tell the truth about their names and the people living in the house. That made these households quite invisible, especially the households renting out rooms as home-based economic activity. Therefore these households have been left out of the analysis and there has been searched for another

method to reach the households with a HBE. Instead of selecting households from the survey for in-depth interviews, households with a shop have been asked door-to-door whether they live on the same place as they work and whether they would want to participate in an in-depth interview. This means that only households with a 'visible' economic activity have been asked to participate, which could have led to a bias.

Fourth, sometimes a language barrier was experienced. In spite of the researcher's sufficient knowledge of the Spanish language, interviewing someone is always different than having a 'normal' conversation with someone. Afterwards, when reading the transcribed interviews, it turned out that in the interviews the researcher could have questioned a bit more on some subjects. Due to the language barrier this was not observed at the moment itself.

Fifth, difficulties have also been experienced with respect to the quality of data. It turned out that respondents were sometimes quite suspicious. Already during the neighbourhood mapping process, they wanted to know what the research assistants were observing and what they were making notes of. Also they were quite suspicious in participating in the questionnaire. Even with identification of the research assistants, respondents were sometimes reluctant to participate. Some data might be over or underestimated by this, because the answers of the respondents might have been influenced by the unwillingness of telling the truth, fear, and not understanding the question. Especially questions with respect to business registration, the use of credit, and incomes might have been influenced by these factors. It is expected that many respondents might have experienced fear of telling that they are not registered, because they are afraid of being forced to close down. It is also expected that many respondents might have experienced fear of telling that they have made use of credit, because they face a lag of repayments or feel ashamed that they needed a credit. The length of the questionnaire did not help either. Respondents sometimes thought it was too long and did not have the time participate any longer.

Sixth, the organization of the study in another culture seemed to be the biggest challenge. The organization of and cooperation with local people in another culture can be quite challenging. People from different cultures have different opinions and values, and different understandings of time. But most important, people from different cultures have different expectation of cooperation, what beforehand is not spoken about, but at the end seemed to be of big importance.

Data processing and preparation

Concerning the neighbourhood mapping and the survey there have been made coding frameworks in order to enter the data in the statistical analysis programme SPSS.

Concerning the in-depth interviews, they have been recorded and transcribed, as already mentioned. Besides, they have been structured and coded based on the outline of this thesis.

Description and accountability of research decisions

Two important decisions have been made during this study.

First, the original plan was to also include households that rent out rooms as a home-based economic activity. These households have been included in the survey. However, with respect to the interviews, it was decided to leave these households out of the study. Although it is a means to generate income in the house, it turned out to be too complex too also include these households in the interviews, since it is a quite separate group. Also institutions focus on the 'real' economic activities, and therefore there has been decided to mainly focus on the households with HBEs.

Second, the original plan was to use the Livelihood Approach as an umbrella theory for analysing HBEs in El Alto. It turned out that this theory was too complex to carry it out well in the available amount of time. Also the questionnaire did not lend itself well to analyse this theory. Since the questionnaire combined questions from the longitudinal research,

from this research and from the research of the colleague student there was not enough available space to fully incorporate the necessary elements of this theory. During the interviews it turned out that the whole situation of home-based entrepreneurship in El Alto should be seen in the context of informality, the functioning of the labour market, and Local Economic Development.

Research strengths and weaknesses

Every study has its potential strengths and weaknesses.

One of the strong points of this study is that it is part of a longitudinal research. It makes use of a wide range of already existing information collected in the past 35 years, while at the same time it provides new information to and insights in the existing knowledge.

A second strong point is that this study gives a new dimensions to the longitudinal research by focussing on HBEs. The longitudinal research has next to its focus on housing and neighbourhood consolidation a strong economic focus. However, the group of people that uses their houses to generate income is somewhat underexposed, but is quite an important and interesting group in the research area.

A third strong point of this study is the combination of different research methods. The study has access to an enormous selection of households, which resulted in a big and quite reliable data set of 738 households, which forms the main body of the study. By combining this with several more qualitative research methods, the study gives full inside in relevant processes and dynamics.

However weak points of this study have to do with already mentioned difficulties in data collection.

Recommendation for further research

There are several recommendations to make on this place. First, it would be useful to search for a better method to find households that are performing a HBE in order to overcome or prevent a bias in research. Second, people renting out rooms eventually have not been analysed in this study. However, it can be expected that this is an important group of people in the Zona 16 de Julio, since only half of the population is house owner, and the rest rent. It would be interesting to analyse how many people do this in order to obtain an extra income source, what their motives are, and how much money this involves.

Appendix 3: List of land use functions

Function	Code	Description
Industry & Handicrafts	1	Car mechanic workshop
	2	Electrician
	3	Carpentry
	4	Locksmith
	5	Wheelwright
	6	Solder workshop
	7	Wood workshop
	8	Car painting workshop
	9	Glassware workshop
	10	Hardware workshop
	11	Upholstery
	12	Workshop for sign boards
	13	Tailor / Dressmaker
	14	Artists
	15	Small fabric
Catering	16	Restaurant
	17	Snack
	18	Hotel / Hostel
	19	Bar / Cafeteria
	20	Disco / Karaoke / Ceremony chamber
Commerce	21	Games chamber / Play pills
	22	Small grocery store
	23	Bakery
	24	Butchery
	25	Chicharronnería (Local delicacy of skin of pig)
	26	Liquor store
	27	Oil store
	28	Egg store
	29	Ice cream saloon
	30	Fruit store
	31	Cereals store
	32	Coffee store
	33	Popcorn store
	34	(Super) market
	35	Pharmacy / Drugstore
	36	Pharmacy with natural medicines
	37	Shop with ladies hygienic stuff
	38	Industrial clothing shop
	39	Traditional clothing shop
	40	Shoe store
	41	Hat shop
	42	Bookstore / Office supplies / Kiosk
	43	Copy shop
	44	Shop with domestic articles
	45	Gift shop
	46	Shop with stuffed animals
	47	Shop with trophies
	48	Shop with party articles and clothes
	49	Games shops

	50	Baby shop
	51	Jewellery store
	52	Sports shop
	53	Pet shop
	54	Florist
	55	Bike (replacement parts) store
	56	Shop with musical instruments
	57	Electronics shop
	58	Video / CD / DVD shop
	59	Shop with batteries and rechargers
	60	Fabrics / Textiles / Sewing shop
	61	Carpet store
	62	Curtain store
	63	Blankets store
	64	Mattress (articles) shop
	65	Shop with used articles
	66	Coffin store
	67	Ticket office
	68	Car dealer
	69	Car accessories shop
	70	Oil shop
	71	Construction materials
	72	Tubes and pipes store
	73	Painting store
	74	Tiles store
	75	Parquet store
	76	Plumbing store
	77	Radiator store
	78	Furniture store
	79	Domestic appliances store
	80	Shop with various objects
	81	Patrol station
	82	Distributor
	83	Recycling
	84	Store with articles for shops
	85	Shop for rent / sale
Institutions	86	Public school / High school
	87	University
	88	Private school
	89	Library
	90	Church
	91	NGO / Labour union
	92	Social club
	93	Governmental office
	94	Cooperation
	95	Recording studio for Radio / TV
Services	96	Public lavatory
	97	Gym / Sports club / Playing field
	98	Swimming pool / Sauna
	99	Movies / Theatre
	100	Gallery
	101	Music group / Orchestra
	102	Dancing school
	103	Driving school
	104	Medical centre / Doctor / Dentist
	105	Optician
	106	Lawyer / Notary

	107	Photographer
	108	Architect
	109	Music services
	110	Exporting service
	111	Laundry
	112	Cleaning company
	113	Car wash
	114	Internet / Phone calls
	115	Transcription
	116	Commercial centre
	117	Bank
	118	Leasing company
	119	Hair dress saloon
	120	Agency
	121	Real estate agent
	122	Temporary employment agency
	123	Printing office
	124	Delivery service
	125	Money lending
	126	Money changing
	127	Reparation service
	128	Pawnshop
	129	Tire inflating service
	130	Gas installation
	131	Help in education
	132	Veterinarian
	133	Kinder garden
	134	Transporter
	135	Brujo / Yatiri (Local traditional healer)
	136	Car parking
	137	Deposit
Green	138	Green area
Residence	139	Private house
	140	Private house in construction
	141	Private house for sale / rent
	142	Empty plot

Appendix 4: Questionnaire

Encuesta El Alto

Número de encuesta (*no llene!*):

Fecha: Calle: Manzano:

Número de la casa: Código de la casa: ... Entrevistador:

INFORMACIÓN: **X = la persona no quiere responder** **N = la pregunta no corresponde**

¿Cuántas familias viven en este lote?

Hogar	Número de encuesta (<i>no llene!</i>)	Nombres y apellidos de los jefes/as y sus esposas/os → anota con quién ha hablado (con *)	Número de los miembros en el hogar
1			
2			
3			
4			
5			
6			
Total de los habitantes en este lote			

¿Quién es el dueño del lote? (*Ponga la dirección completa*)

Nombre: Dirección:

.....

Responda a estas preguntas al final de la encuesta con el primer hogar del lote!

¿Qué tamaño tiene el lote? m²

¿Cuánto sitio está edificado? m²

Dibuje el lote desde arriba, anote el número de pisos de cada vivienda.

Dibuje la fachada de la casa (incluidos los pisos y las puertas)

4° piso

3° piso

2° piso

1° piso

pta baja

NÚMERO DEL HOGAR:

A. Nombre	B. Relación/ Parentesco	C. Sexo	D. Edad	E. Lugar de nacimiento	F. Estado civil	G. Grado de Instrucción	H. Año	I. Condición de actividad	J. Ocupación principal
Ponga los nombres de los miembros por orden de relación	1 jefe del hogar 2 esposa(o)/ concubino(a) 3 hijo(a) 4 hermano(a) 5 padre/madre 6 otro pariente 7 empleado(a) 8 otro no pariente	1 m 2 f		1 esta casa 2 esta zona 3 El Alto (nombre villa) 4 La Paz (nombre villa) 5 otra parte (esp.)	1 soltero(a) 2 casado(a) 3 concubino(a) 4 viudo(a) 5 divorciado(a)/ separado(a)	1 ninguno 2 alfabetización 3 básico/ primaria 4 intermedio/ primaria superior 5 medio/ secundaria 6 técnico 7 normal 8 superior/ universidad	Último año que tenía educación	1 trabaja actualmente 2 desocupado 3 ayuda familiar 4 ama de casa (no renumerado) 5 labores de casa (renumerado) 6 ama de casa y trabaja 7 sólo estudia 8 estudia y trabaja 9 estudia y ayuda 10 jubilaría/rentista 11 otro (esp.)	¿Qué ocupación tiene usted? (En el caso de decir que no trabaja *)
1									
2									
3									
4									
5									
6									
7									
8									
9									
10									
11									
12									

K. Rama de actividad	L. Categoría de ocupación	M. Estabilidad del trabajo	N. Número de trabajadores	O. Lugar de trabajo ¿Donde se realiza el trabajo?	P. Horas	Q. Tipo de ingreso	R. Otras actividades	S. Ingresos
Especifique exactamente, ¿en que tipo de negocio, empresa o institución desempeña a su trabajo?	1 obrero/ empleado 2 jornalero 3 cuenta propia 4 patrón 5 otro (esp.)	1 permanente 2 temporal 3 ocasional/ eventual	¿Cuántas personas trabajan en esa empresa/ negocio (incluido a Usted)?	1 esta casa/ patio 2 esta villa 3 El Alto (nombre villa) 4 La Paz (nombre villa) 5 Otra parte (esp.)	¿Cuántas horas por semana y cuántos días por semana se dedica a esa actividad? 1 = # de horas 2 = # de días	1 fijo 2 eventual 3 a destajo/ a comisión 4 jornal 5 obra vendida 6 otro	¿Realiza usted cualquiera otra actividad para obtener ingresos? 1 = no 2 = sí, ¿Cuál?	Apunte los ingresos por mes de cada miembro del hogar en Bs./\$ (llene al final de la encuesta!)
1					1 2			
2					1 2			
3					1 2			
4					1 2			
5					1 2			
6					1 2			
7					1 2			
8					1 2			
9					1 2			
10					1 2			
11					1 2			
12					1 2			
Total de los ingresos								

1. ¿Este último año, usted u otro(s) miembro(s) del hogar, han participado en alguna organización barrial? (por ejemplo junta de vecinos, club de madres o parroquia)
 No Sí, llene el esquema (una fila para cada función)

A. Nombre	B. Tipo de organización	C. Función	D. Tiempo
Ponga los nombres de los miembros	1 junta de vecinos 2 club de madres 3 grupo de mujeres 4 asociación de padres de familia 5 asociación deportiva 6 organización política 7 parroquia 8 otro, esp.....	¿Qué función realiza en la organización?	¿Aproximadamente cuántos horas por semana se dedica a la organización?

2. ¿Usted es miembro de alguna organización **económica**? (por ejemplo asociación de gremiales o sindicato)
 No Sí, ponga nombre y dirección.....
3. ¿Durante **los últimos cinco años**, ha obtenido alguna vez un préstamo?
 No, *pase a la pregunta 7* Sí, año(s):.....
4. ¿Quién le concedió el préstamo?
 Banco privado: (nombre).....
 Prestamista
 Amigos o parientes
 Gobierno
 Otro, esp.....
5. a. ¿Cuál fue el monto del préstamo? Bs./\$
 b. ¿Por cuánto tiempo obtuvo el préstamo? meses
6. ¿En qué invirtió el préstamo que obtuvo?
 Mejoramiento de la vivienda
 Comprar vivienda, casa o lote
 Poner algún negocio
 Comprar herramientas de trabajo
 Otro, esp.

PARTE 1 ACTIVIDADES ECONÓMICAS

PREGUNTAS AL JEFE O ESPOSA(O) DEL HOGAR

Hablado con:

7. ¿Tiene usted alguna actividad que le genere recursos económicos en la casa?
 No, *pase a la pregunta 9*
 Sí Producción, cual.....
 Comercio, cual.....
 Servicios, cual.....

8. ¿Porque está haciendo esta actividad?.....

9. ¿En el pasado, tenía alguna actividad que le generaba recursos económicos en la casa?

0 No, *pase a la pregunta 11*

0 Sí 0 Producción, cual.....

0 Comercio, cual.....

0 Servicios, cual.....

10. ¿Porque lo ha terminado esta actividad?.....

11. Llene el esquema con las respuestas de las preguntas 7 y 9, *si no hace ninguna actividad económica en la casa, pase a la pregunta 28*

A. Tipo de actividad(e s)	B. Tiempo	C. Lugar	D. ¿Quién es responsable de esta actividad?	E. Tiempo	F. Número de ayudantes	G. ¿Quiénes ayudan?	H. ¿Quién tiene la experiencia y/o la mayor habilidad?	I. ¿Está registrado?
	¿Por cuánto tiempo esta realizand o o realizaba esta actividad? <i>Ponga el tiempo en meses!</i>	1 en una habi- tación/planta especial para la actividad 2 dentro otras habitaciones 3 en el patio 4 en la vía pública 5 otro, esp.....	1 jefe del hogar 2 esposa(o)/ concubina(o) 3 hijo(a) 4 hermano(a) 5 padre/madre 6 otro pariente 7 otro, esp.....	¿Cuántos <u>horas por semana</u> y cuántos <u>días por semana</u> se dedica esta persona a esa actividad? 1=horas 2=días	¿Cuántas personas trabajan/ ayudan en esta actividad?	1 jefe del hogar 2 esposo(a) 3 hijo(a) 4 hermano(a) 5 padre/madre 6 empleado(a) 7 otro pariente 8 otro, esp.....	1 jefe del hogar 2 esposa(o)/ concubina(o) 3 hijo(a) 4 hermano(a) 5 padre/madre 6 otro pariente 7 otro, esp.....	1 Sí, patente 2 Sí, impuestos 3 No
				1 2				
				1 2				
				1 2				
				1 2				
				1 2				

12. Llene el esquema con las respuestas de las preguntas 7 y 9

Tipo de actividades)	J. Inversión por primera vez	K. Tipo de inversión	L. Inversión del último año	M. Tipo de inversión	N. ¿Qué equipamiento usa usted para realizar la actividad?	O. ¿Cuánto le costó el equipamiento el último año?	P. ¿Quién administra?	Q. Ingreso por mes
<i>Repita de A.</i>	Ponga la cantidad del dinero en Bs./\$	1 Propio ahorros 2 Préstamo de la familia o amigos 3 préstamo de un banco 4 préstamo de una institución de micro crédito	Ponga la cantidad del dinero en Bs./\$	1 propio ahorros 2 préstamo de la familia 3 préstamo de un banco 4 préstamo de una institución de micro crédito	1 mobiliario 2 frigorífico/ congelador 3 maquinas (p.e. lavadora) 4 herramientas 5 otros, esp.....	Ponga la cantidad en Bs./\$	1 jefe del hogar 2 esposa(o)/ concubina(o) 3 hijo(a) 4 hermano(a) 5 padre/madre 6 otro pariente 7 otro, esp.....	Ponga el ingreso por mes en Bs./\$

PREGUNTAS SOBRE TODAS LAS ACTIVIDADES ECONOMICAS EN LA CASA

13. ¿Existen algunos factores que estimulen hacer esta(s) actividad(es)?

0 No 0 Sí, cuales.....

14. ¿Existen algunos factores que dificulten hacer esta(s) actividad(es)?

0 No 0 Sí, cuales.....

15. ¿Ha tenido usted algunos problemas en su actividad económica en el último año?

0 No, *pase a la pregunta 17* 0 Sí, cuales.....

16. ¿Cómo ha solucionado los problemas?.....
17. ¿Qué tan importante es esta actividad para su calidad de vida?
0 muy alta 0 alta 0 media 0 baja 0 no importante
18. ¿Qué hace con los ingresos?
19. ¿Hay cosas que no podría pagar si no tendría esta actividad?
0 No 0 Sí, cuales.....
20. ¿Qué tan importante son los ingresos de esta actividad en relación a otros ingresos?
0 muy alta 0 alta 0 media 0 baja 0 no importante
21. ¿Cómo califica su situación financiera actual en relación a la actividad que hacía en el pasado? 0 mejor 0 lo mismo 0 peor

RESPONDE A LAS PROXIMAS SUPOCISIONES SOBRE LA ACTIVIDAD ECONÓMICA

22. El barrio es importante para mi actividad económica.
0 estoy de acuerdo(a) 0 no estoy de acuerdo(a)
23. Los vecinos del barrio me ayudan a realizar la actividad económica.
0 estoy de acuerdo(a) 0 no estoy de acuerdo(a)
24. Los vecinos del barrio son mis clientes más importantes.
0 estoy de acuerdo(a) 0 no estoy de acuerdo(a)
25. Los vecinos del barrio me tienen envidia por tener una actividad económica.
0 estoy de acuerdo(a) 0 no estoy de acuerdo(a)
26. Tengo competencia con otras personas en el barrio que tienen la misma actividad.
0 estoy de acuerdo(a) 0 no estoy de acuerdo(a)
27. Tengo un mejor status en el barrio porque tengo mi actividad económica.
0 estoy de acuerdo(a) 0 no estoy de acuerdo(a)

PREGUNTAS AL DUEÑO DE LA PROPIEDAD

Hablado con:.....

28. ¿Alquila usted (u otra(s) persona(s) del hogar) un espacio dentro de la casa?
0 No, *pase a la pregunta 30* 0 Sí, *pase a la pregunta 29*
29. ¿ Porqué está alquilando un lugar?
..... (*llene el esquema 32*)
30. ¿Si no, lo hizo en el pasado?
0 No, *pase a la pregunta 42* 0 Sí, *pase a la pregunta 31*
31. ¿Porque lo ha terminado?
..... (*llene el esquema 32*)

32. Llene el esquema

A. Lugar	B. Tiempo	C. ¿A quién alquila?	D. Ingreso	E. ¿Quién contrala los ingresos?
1 habitaciones 2 pisos 3 edificio	¿Por cuánto tiempo está alquilando?	1 familia 2 amigos 3 otros...	Ponga el ingreso por mes en Bs./\$	1 jefe del hogar 2 esposa(o)/ concubina(o) 3 hijo(a) 4 hermano(a) 5 padre/madre 6 otro pariente 7 otro...

33. ¿Existen algunos factores que estimulen alquilar?
 No Sí, cuáles.....

34. ¿Existen algunos factores que dificulten alquilar?
 No Sí, cuáles.....

35. ¿Ha tenido usted algunos problemas en el alquilar de su propiedad?
 No Sí, cuáles.....

36. ¿Cómo solucionado los problemas?

37. ¿Qué tan importante es alquilar para su calidad de vida?
 muy alta alta media baja no importante

38. ¿Qué hace con los ingresos?

39. ¿Hay cosas que no podría pagar si no alquilaría?
 No Sí, cuáles.....

40. ¿Qué tan importante son los ingresos de alquilar en relación a otros ingresos?
 muy alta alta media baja no importante

41. ¿Cómo califica su situación financiera actual en relación a la situación antes que alquile?
 mejor lo mismo peor

PARTE 2 MOVILIDAD

PREGUNTAS AL JEFE O ESPOSA(O) DEL HOGAR

Hablado con:

42. a. ¿En qué año nació usted? En el año
- b. ¿Dónde nació usted? País
- Provincia
- Ciudad/Pueblo
- Villa/Zona

43. ¿En qué año vino usted a La Paz o El Alto?
 Nació en La Paz
 Nació en El Alto
 En el año

44. ¿Cuando usted vino, su primera vivienda era en La Paz o en El Alto?

<input type="radio"/> En La Paz	→	¿En qué lugar estaba su vivienda antes de venir a La Paz? País: Provincia: Ciudad/Pueblo: Villa/Zona: Año de moverse a El Alto:
<input type="radio"/> En El Alto	→	¿En qué lugar estaba su vivienda antes de venir a El Alto? País: Provincia: Ciudad/Pueblo: Villa/Zona:

	Número	Año de pma. mudanza
45. ¿Cuántas veces se ha trasladado de casa dentro de La Paz?		
46. ¿Cuántas veces se ha trasladado de casa dentro de El Alto?		
47. ¿Cuántas veces se ha trasladado de casa dentro de las zonas 16 de Julio, Ballivian y Los Andes?		

48. ¿En qué año vino usted a vivir en esta casa?
 Siempre ha vivido aquí, *pase a la pregunta 71*
 En el año, *pase a la pregunta 49*

PRIMERA VIVIENDA DENTRO EL ALTO/LA PAZ

49. ¿Dónde se ubicaba su primera vivienda en El Alto/ La Paz?
 Esta zona: calle
 El Alto: villa/zona
 La Paz: villa/zona.....

50. ¿En qué año se ha mudado a su primera vivienda dentro El Alto/ La Paz?
 En el año

51. ¿Por qué se había establecido allí?
 Motivo 1
 Motivo 2

52. ¿Cuál era la tenencia en su primera vivienda en El Alto/ La Paz?
 Dueño, *pase a la pregunta 53*
 Inquilino, alquiler Bs./\$ por mes, *pase a la pregunta 54*
 Contrato mixto, Bs./\$, *pase a la pregunta 54*
 Contrato anticrético, Bs./\$, *pase a la pregunta 54*
 Vivía gratuitamente, como, *pase a la pregunta 54*

VIVIENDA ANTERIOR

Si su vivienda anterior era su primera vivienda dentro La Paz/ El Alto, **pase a la pregunta 71.**

60. ¿Dónde se ubicaba su vivienda anterior?

- Esta zona: calle
- El Alto: villa/zona
- La Paz: villa/zona.....
- Otro lugar: Ciudad.....

61. ¿En qué año se ha mudado a su vivienda anterior en El Alto/La Paz? En el año

62. ¿Por qué se había establecido allí?

- Motivo 1
- Motivo 2

63. ¿Cuál era la tenencia en su vivienda anterior?

- Dueño, *pase a la pregunta 64*
- Inquilino, alquiler Bs./\$ por mes, *pase a la pregunta 65*
- Contrato mixto, Bs./\$, *pase a la pregunta 65*
- Contrato anticrético, Bs./\$, *pase a la pregunta 65*
- Vivía gratuitamente, como, *pase a la pregunta 65*

64. Si era el dueño de su vivienda anterior:

- ¿ a. ¿Como lo obtuvo usted? terreno vacío terreno con edificación
- b. ¿Cuándo lo obtuvo? En el año
- c. ¿De quién?
- d. ¿Cuántos m²?
- e. ¿A qué precio lo compro? Bs./\$
- f. ¿A qué precio lo vendió? Bs./\$
- g. ¿Su título estaba en trámite? No Sí
- h. ¿Cuánto eran sus gastos por mes? Bs./\$

65. Cuántasplanta(s)/piso(s) ocupaba el hogar en su vivienda anterior?

66. a ¿Cuántos cuartos tenía su vivienda anterior, sin contar el cuarto de baño ni la cocina? cuartos

b De estos cuartos, ¿cuántos usaba usted solamente para dormir? dormitorios

c ¿Cuál era la superficie de su terreno anterior?m²

d ¿Cuál era la superficie de todos los pisos construidos de su vivienda anterior? .. m²

67. ¿En su vivienda anterior, usted disponía de....

	Sí, uso privado	Sí, uso común	No
Energía eléctrica	0	0	0
Gas natural	0	0	0
Gas liquado	0	0	0
Agua corriente	0	0	0
Alcantarillado público		0	0
Ducha o tina de baño	0	0	0
Letrina	0	0	0
Baño (excusado)	0	0	0
Cuarto especial para la cocina	0	0	0

68. ¿Porqué se fue de esa casa?

69. ¿Se sentía satisfecho con su **vivienda anterior**?

1=pésimo, 2=malo, 3=regular, 4=bueno, 5=excelente

Tamaño de la vivienda	1	2	3	4	5
Gastos de vivienda por mes	1	2	3	4	5
Localización (per ejemplo distancia a trabajo, educación, tiendas, red social)	1	2	3	4	5
Satisfacción en general	1	2	3	4	5

70. ¿Se sentía satisfecho con su **zona anterior**?

1=pésimo, 2=malo, 3=regular, 4=bueno, 5=excelente

Belleza	1	2	3	4	5
Seguridad	1	2	3	4	5
Organizaciones sociales	1	2	3	4	5
Facilidades de servicios públicos	1	2	3	4	5
Localización (en relación de toda la ciudad)	1	2	3	4	5

VIVIENDA ACTUAL

71. ¿Porqué se ha establecido aquí?

Motivo 1

Motivo 2

72. ¿Cuál es la tenencia?

- Dueño,
 ¿Su título está en trámite? No Si
 ¿Cuánto son sus gastos por mes? Bs./\$
- Inquilino, alquiler Bs.\$ por mes
 Contrato mixto, Bs..\$
 Contrato anticrético, Bs./\$
 Vivía gratuitamente, como

73. ¿Quién construyó esta casa?

- Usted mismo
 El dueño actual
 El dueño anterior
 Un contratista privado
 Otro:
 No sabe

74. ¿Quien le ayudo con la mudanza a su vivienda actual? (*Especifique!*).....

75. ¿Cuántas planta(s)/piso(s) ocupa el hogar?

76. a ¿Cuántos cuartos tiene su vivienda, sin contar el cuarto de baño ni la cocina? cuartos

b De estos cuartos, ¿cuántos usa solamente para dormir? Dormitorios

c ¿Cuál es la superficie de su terreno? m²

d ¿Qué es la superficie de todos los pisos construidos de vivienda? m²

77. ¿En su vivienda, usted dispone de...

	Sí, uso privado	Sí, uso común	No
Energía eléctrica	0	0	0
Gas natural	0	0	0
Gas liquado	0	0	0
Agua corriente	0	0	0
Alcantarillado público		0	0
Ducha o tina de baño	0	0	0
Letrina	0	0	0
Baño (excusado)	0	0	0
Cuarto especial para la cocina	0	0	0

78. ¿Cuáles son los materiales de construcción predominantes en la vivienda?

Techos		Paredes exteriores					Pisos (incl. planta baja)						
			Piso					Piso					
			pb	1	2	3	4		pb	1	2	3	4
Calamina	0	Adobe	0	0	0	0	0	Tierra	0	0	0	0	0
Teja/cerámica	0	Adobe con fachada	0	0	0	0	0	Ladrillo	0	0	0	0	0
Losa de hormigón	0	Ladrillo	0	0	0	0	0	Madera	0	0	0	0	0
Duralit	0	Ladrillo con fachada	0	0	0	0	0	Cemento	0	0	0	0	0
Otro, esp.		Otro, esp.....	0	0	0	0	0	Otro, esp	0	0	0	0	0

79. ¿Este año, ha ampliado y/o mejorado usted su vivienda?

- 0 No, ¿Porque?
- 0 Sí, ¿Qué tipo de mejoramiento y/o ampliación se ha realizado?.....
- ¿Porqué ha mejorado o ampliado su vivienda?.....

80. ¿Tiene usted planes para mejorar o ampliar su vivienda?

- 0 No, ¿Porque?.....
- 0 Sí, ¿Qué tipo de mejoramiento o ampliación?.....
- ¿Porqué ha pensado mejorar o ampliar su vivienda?.....

81. ¿A usted le gustaría trasladarse de casa?

- 0 No
- 0 Sí

Si querría trasladarse de casa ¿Porque?.....	
¿Adónde?	0 Esta zona: calle..... 0 El Alto: Villa/Zona..... 0 La Paz: Villa/Zona..... 0 Fuera: Departamento Provincia..... Ciudad/Pueblo.....
¿Se va a trasladar en realidad?	0 No, ¿Porque?..... 0 Sí, ¿Porque?.....
¿Sería posible que usted se traslada en estos seis meses?	0 No, ¿Porque?..... 0 Sí
Si no querría trasladarse de casa ¿Porque?.....	
¿Sería posible que usted se traslada en estos seis meses?	0 No, ¿Porque?..... 0 Sí
¿Se va a trasladar contra su voluntad?	0 No 0 Sí,

	¿Porque?.....
--	---------------

82. ¿Se siente satisfecho con su **vivienda actual**?
1=pésimo, 2=malo, 3=regular, 4=bueno, 5=excelente

Tamaño del a vivienda	1	2	3	4	5
Gastos de vivienda por mes	1	2	3	4	5
Localización (per ejemplo distancia a trabajo, educación, tiendas, red social)	1	2	3	4	5
Satisfacción en general	1	2	3	4	5

83. ¿Se siente satisfecho con su **zona actual**?
1=pésimo, 2=malo, 3=regular, 4=bueno, 5=excelente

Belleza	1	2	3	4	5
Seguridad	1	2	3	4	5
Organizaciones sociales	1	2	3	4	5
Facilidades de servicios publicos	1	2	3	4	5
Localización (en relación de toda la ciudad)	1	2	3	4	5

84. Sabe usted dónde vive ahora la familia que ocupaba anteriormente esta casa?
0 No
0 Sí: Nombre
 Calle y número
 Lugar de referencia
 Ciudad/pueblo
 Provincia

PREGUNTAS AL DUEÑO DE LA PROPIETARIA ACTUAL Hablado con:

(Solamente haga las preguntas si está hablando con el dueño o si puede encontrar el dueño.)

- 85 a. ¿Cómo lo obtuvo usted? 0 terreno vacio 0 terreno con edificación
b. ¿Cuándo lo obtuvo? En el año
- c. ¿De quién?
d. ¿Cuántos m²?
e. A qué precio? Bs./\$

86. En el **último año**, ¿su terreno ha sido fraccionado?
0 No
0 Sí ¿Cuándo? En el año.....
 ¿A quién lo ha vendido o sedido?
 ¿Cuántos m²?
 ¿A qué precio? Bs./\$

87. ¿Cuánto pediría por su casa en este momento? Bs./\$

88. Aparte de este terreno, ¿dispone de otros terrenos?
0 No
0 Sí ¿Dónde? 0 Esta Zona: Calle.....
 0 El Alto: Villa/ zona.....
 0 La Paz: Villa/ zona.....
 0 Fuera: Provincia.....
 Ciudad/Pueblo
 ¿Para qué lo usa? (por ejemplo alquilar, negocio).....

89. ¿Usted alquila habitaciones y/o viviendas en el otro terreno?
0 No

0	Sí	¿Cuántas habitaciones?	¿A qué precio? Bs./\$ por mes
		¿Cuántas viviendas?	¿A qué precio? Bs./\$ por mes
		Otro.....	¿A qué precio? Bs./\$ por mes

No olvide:

- dibujar el lote más la fachada de la casa en la primera oja de la encuesta
- llenar la pregunta 'S' (ingresos) en el segundo esquema en la tercera oja de la encuesta

Observaciones/comentarios del jefe/esposo(a) del hogar:

.....
.....
.....

Observaciones/comentarios del encuestador:

.....
.....
.....

¿Hay posibilidad de regresar para una entrevista más corta?: 0 No 0 Sí

Appendix 5: Overview in-depth interviews

In-depth interviews with households

The following in-depth interviews with households have been carried out.

Number of interview	Type of enterprise
Interview Household 1	Letting out rooms
Interview Household 2	Small grocery store
Interview Household 3	Restaurant
Interview Household 4	Small grocery store
Interview Household 5	Book store
Interview Household 6	Small grocery store
Interview Household 7	Money lending service
Interview Household 8	Bookstore
Interview Household 9	Car mechanics workshop
Interview Household 10	Small grocery store and butchery
Interview Household 11	Book store and phone calls
Interview Household 12	Small grocery store
Interview Household 13	Shop with sewing machines
Interview Household 14	Restaurant
Interview Household 15	Ice cream saloon
Interview Household 16	Dressmaker / Tailor
Interview Household 17	Internet

In-depth interviews with organizations

The following in-depth interviews with organizations have been carried out.

#	Date	Organization / Institution	Name interviewee
1	27-04-2010	Ministerio de Planificación de Desarrollo	Vivian Viaño
2	28-04-2010	Diaconía FRIF	Ricardo Suxol
3	06-05-2010	Unidad de micro huertas del Gobierno Municipal de El Alto	Lourdes Escobar
4	10-05-2010	PROMOVER (CARE Bolivia)	Gretal Bernal
5	17-05-2010	Viceministerio de Micro y Pequeña Empresa	Abdon Vasquez José Palocios
6	18-05-2010	Gobierno Municipal de El Alto – Oficialía Mayor de Desarrollo Económico Productivo	Dr. Elias Troche
7	19-05-2010	CEDLA	Silvia Escobar
8	21-05-2010	Fundempresa	Roberto Pinto

Appendix 6: Overview of land use in the Zona 16 de Julio

Code	Description	Villa 16 de Julio		Villa Ballivian		Villa Los Andes		Total Zona	
		Freq.	%	Freq.	%	Freq.	%	Freq.	%
1	Car mechanic workshop	17	0.5	9	0.2	29	1.5	55	0.6
2	Electrician	1	0.0	3	0.1	2	0.1	6	0.1
3	Carpentry	11	0.3	1	0.0	2	0.1	14	0.2
4	Locksmith	21	0.6	5	0.1	3	0.2	29	0.3
5	Wheelwright	0	0.0	0	0.0	0	0.0	0	0.0
6	Solder workshop	0	0.0	3	0.1	3	0.2	2	0.0
7	Wood workshop	7	0.2	2	0.1	2	0.1	11	0.1
8	Car painting workshop	11	0.3	5	0.1	7	0.4	23	0.2
9	Glassware workshop	11	0.3	3	0.1	1	0.1	15	0.2
10	Hardware workshop	16	0.4	7	0.2	3	0.2	26	0.3
11	Upholstery	3	0.1	0	0.0	10	0.5	13	0.1
12	Workshop for sign boards	0	0.0	3	0.1	1	0.1	4	0.0
13	Tailor / Dressmaker	13	0.4	18	0.5	9	0.5	40	0.4
14	Artists	1	0.0	1	0.0	0	0.0	2	0.0
15	Small fabric	0	0.0	0	0.0	2	0.1	2	0.0
16	Restaurant	104	2.9	26	0.7	44	2.3	174	1.9
17	Snack	17	0.5	13	0.3	5	0.3	35	0.4
18	Hotel / Hostel	17	0.5	11	0.3	4	0.2	32	0.3
19	Bar / Cafeteria	10	0.3	0	0.0	7	0.4	17	0.2
20	Disco / Karaoke	32	0.9	19	0.5	17	0.9	68	0.7
21	Games chamber / Play pills	7	0.2	3	0.1	4	0.2	14	0.2
22	Small grocery store	295	8.2	228	6.1	128	6.7	651	7.0
23	Bakery	20	0.6	29	0.8	3	0.2	52	0.6
24	Butchery	14	0.4	33	0.9	16	0.8	63	0.7
25	Chicharronería	2	0.1	0	0.0	0	0.0	2	0.0
26	Liquor store	11	0.3	3	0.1	6	0.3	20	0.2
27	Oil store	0	0.0	6	0.2	1	0.1	7	0.1
28	Egg store	0	0.0	0	0.0	0	0.0	0	0.0
29	Ice cream saloon	1	0.0	4	0.1	0	0.0	5	0.1
30	Fruit store	2	0.1	4	0.1	0	0.0	6	0.1
31	Cereals store	2	0.1	0	0.0	0	0.0	2	0.0
32	Coffee store	2	0.1	1	0.0	0	0.0	3	0.0
33	Popcorn store	1	0.0	1	0.0	0	0.0	2	0.0
34	(Super) market	0	0.0	0	0.0	0	0.0	0	0.0
35	Pharmacy / Drugstore	23	0.6	12	0.3	9	0.5	44	0.5
36	Pharmacy with natural medicines	1	0.0	2	0.1	0	0.0	3	0.0
37	Shop with ladies hygienic stuff	0	0.0	1	0.0	0	0.0	1	0.0
38	Industrial clothing shop	130	3.6	2	0.1	2	0.1	134	1.4
39	Traditional clothing shop	25	0.7	28	0.7	1	0.1	54	0.6
40	Shoe store	29	0.8	6	0.2	0	0.0	35	0.4
41	Hat shop	14	0.4	15	0.4	3	0.2	32	0.3
42	Bookstore / Office supplies	23	0.6	27	0.7	15	0.8	65	0.7
43	Copy shop	13	0.4	12	0.3	36	1.9	61	0.7
44	Shop with domestic articles	7	0.2	7	0.2	0	0.0	14	0.2
45	Gift shop	1	0.0	5	0.1	4	0.2	10	0.1
46	Shop with stuffed animals	0	0.0	1	0.0	0	0.0	1	0.0
47	Shop with trophies	0	0.0	1	0.0	0	0.0	1	0.0
48	Shop with party articles and clothes	9	0.3	0	0.0	0	0.0	9	0.1
49	Games shops	3	0.1	0	0.0	2	0.1	5	0.1
50	Baby shop	1	0.0	0	0.0	0	0.0	1	0.0
51	Jewellery store	3	0.1	7	0.2	0	0.0	10	0.1
52	Sports shop	20	0.6	0	0.0	0	0.0	20	0.2
53	Pet shop	18	0.5	0	0.0	0	0.0	18	0.2
54	Florist	1	0.0	0	0.0	0	0.0	1	0.0
55	Bike (replacement parts) store	6	0.2	0	0.0	0	0.0	6	0.1
56	Shop with musical instruments	2	0.1	0	0.0	0	0.0	2	0.0
57	Electronics shop	13	0.4	7	0.2	4	0.2	24	0.3
58	Video / CD / DVD shop	7	0.2	5	0.1	6	0.3	18	0.2
59	Shop with batteries and rechargers	2	0.1	1	0.0	0	0.0	3	0.0
60	Fabrics / Textiles / Sewing shop	27	0.8	31	0.8	0	0.0	58	0.6
61	Carpet store	18	0.5	1	0.0	0	0.0	19	0.2
62	Curtain store	11	0.3	0	0.0	0	0.0	11	0.1

63	Blankets store	7	0.2	0	0.0	0	0.0	7	0.1
64	Mattress (articles) shop	1	0.0	0	0.0	0	0.0	1	0.0
65	Shop with used articles	4	0.1	0	0.0	0	0.0	4	0.0
66	Coffin store	2	0.1	3	0.1	0	0.0	5	0.1
67	Ticket office	1	0.0	0	0.0	0	0.0	1	0.0
68	Car dealer	6	0.2	0	0.0	0	0.0	6	0.1
69	Car accessories shop	112	3.1	5	0.2	13	0.7	130	1.4
70	Oil shop	11	0.3	0	0.0	6	0.3	17	0.2
71	Construction materials	61	1.7	5	0.2	8	0.4	74	0.8
72	Tubes and pipes store	7	0.2	0	0.0	0	0.0	7	0.1
73	Painting store	42	1.2	1	0.0	0	0.0	43	0.5
74	Tiles store	5	0.1	0	0.0	0	0.0	5	0.1
75	Parquet store	6	0.2	0	0.0	0	0.0	6	0.1
76	Plumbing store	0	0.0	0	0.0	0	0.0	0	0.0
77	Radiator store	1	0.0	0	0.0	1	0.1	2	0.0
78	Furniture store	104	2.9	0	0.0	0	0.0	104	1.1
79	Domestic appliances store	24	0.7	0	0.0	0	0.0	24	0.3
80	Shop with various objects	1	0.0	0	0.0	0	0.0	1	0.0
81	Patrol station	3	0.1	0	0.0	0	0.0	3	0.0
82	Distributor	6	0.2	7	0.2	0	0.0	13	0.1
83	Recycling	3	0.1	6	0.2	1	0.1	10	0.2
84	Store with articles for shops	6	0.2	3	0.1	1	0.1	10	0.2
85	Shop for rent / sale	15	0.4	0	0.0	0	0.0	15	0.2
86	Public school / High school	8	0.2	6	0.2	4	0.2	18	0.2
87	University	1	0.0	0	0.0	0	0.0	1	0.0
88	Private school	2	0.2	3	0.1	0	0.0	5	0.1
89	Library	1	0.0	1	0.0	0	0.0	2	0.0
90	Church	14	0.4	14	0.4	6	0.3	34	0.4
91	NGO / Labour union	14	0.4	4	0.1	3	0.2	21	0.2
92	Social club	0	0.0	0	0.0	0	0.0	0	0.0
93	Governmental office	2	0.1	2	0.1	1	0.1	5	0.1
94	Cooperation	0	0.0	0	0.0	0	0.0	0	0.0
95	Recording studio for Radio / TV	1	0.0	0	0.0	27	1.4	28	0.3
96	Public lavatory	42	1.2	11	0.3	7	0.4	60	0.7
97	Gym / Sports club / Playing field	5	0.1	10	0.3	7	0.4	22	0.2
98	Swimming pool / Sauna	1	0.0	1	0.0	1	0.1	3	0.0
99	Movies / Theatre	0	0.0	0	0.0	2	0.1	2	0.0
100	Gallery	4	0.1	2	0.1	0	0.0	6	0.1
101	Music group / Orchestra	4	0.1	11	0.3	4	0.2	19	0.2
102	Dancing school	1	0.0	0	0.0	0	0.0	1	0.0
103	Driving school	5	0.1	2	0.1	0	0.0	7	0.1
104	Medical centre / Doctor / Dentist	26	0.7	23	0.6	11	0.6	60	0.6
105	Optician	1	0.0	2	0.1	0	0.0	3	0.0
106	Lawyer / Notary	8	0.2	2	0.1	0	0.0	2	0.0
107	Photographer	11	0.3	4	0.1	5	0.3	20	0.2
108	Architect	3	0.1	1	0.0	0	0.0	4	0.0
109	Music services	5	0.1	5	0.1	4	0.2	14	0.2
110	Exporting service	0	0.0	0	0.0	0	0.0	0	0.0
111	Laundry	2	0.1	2	0.1	1	0.1	5	0.1
112	Cleaning company	2	0.1	1	0.0	1	0.1	4	0.0
113	Car wash	2	0.1	1	0.0	0	0.0	3	0.0
114	Internet / Phone calls	167	4.6	82	2.2	62	3.3	311	3.4
115	Transcription	3	0.1	1	0.0	2	0.1	6	0.1
116	Commercial centre	6	0.2	11	0.3	1	0.1	18	0.2
117	Bank	11	0.3	0	0.0	0	0.0	11	0.1
118	Leasing company	0	0.0	0	0.0	0	0.0	0	0.0
119	Hair dress saloon	23	0.6	10	0.3	13	0.7	46	0.5
120	Agency	0	0.0	0	0.0	1	0.1	1	0.0
121	Real estate agent	0	0.0	0	0.0	0	0.0	0	0.0
122	Temporary employment agency	1	0.0	0	0.0	0	0.0	1	0.0
123	Printing office	3	0.1	4	0.1	2	0.1	9	0.1
124	Delivery service	1	0.0	0	0.0	0	0.0	1	0.0
125	Money lending	6	0.2	1	0.0	6	0.3	13	0.1
126	Money changing	2	0.2	0	0.0	0	0.0	2	0.0
127	Reparation service	8	0.2	6	0.2	2	0.1	16	0.2
128	Pawnshop	0	0.0	1	0.0	0	0.0	1	0.0
129	Tire inflating service	3	0.1	0	0.0	0	0.0	3	0.0
130	Gas installation	0	0.0	0	0.0	0	0.0	0	0.0
131	Help in education	1	0.0	1	0.0	0	0.0	2	0.0
132	Veterinarian	19	0.5	0	0.0	0	0.0	19	0.2
133	Kinder garden	1	0.0	0	0.0	2	0.1	3	0.0
134	Transporter	0	0.0	1	0.0	1	0.1	2	0.0

Using the home as a workplace

135	Brujo / Yatiri	0	0.0	0	0.0	0	0.0	0	0.0
136	Car parking	26	0.7	19	0.5	9	0.5	54	0.6
137	Deposit	69	1.9	0	0.0	0	0.0	69	0.7
138	Green area	0	0.0	0	0.0	1	0.1	1	0.0
139	Private house*	1857	51.7	2997	80.0	1508	79.3	6362	68.8
140	Private house in construction*	77	2.1	8	0.2	10	0.5	95	1.0
141	Private house for sale / rent*	2	0.1	0	0.0	0	0.0	2	0.0
142	Empty plot	0	0.0	0	0.0	0	0.0	0	0.0
Total amount of plots		3594		3748		1902		9244	

* Amount of plots of which the residential function is the only function

N.B. The frequencies show how many plots in the neighbourhood have a specific function or on how many plots a specific economic activity occurs. The percentages show the amount of plots relative to the total amount of plots in a neighbourhood or in the total Zona.