

Bolivia: Sector Based intervention with an LED approach

FOMEM´s experience

Bolivia: an outline....

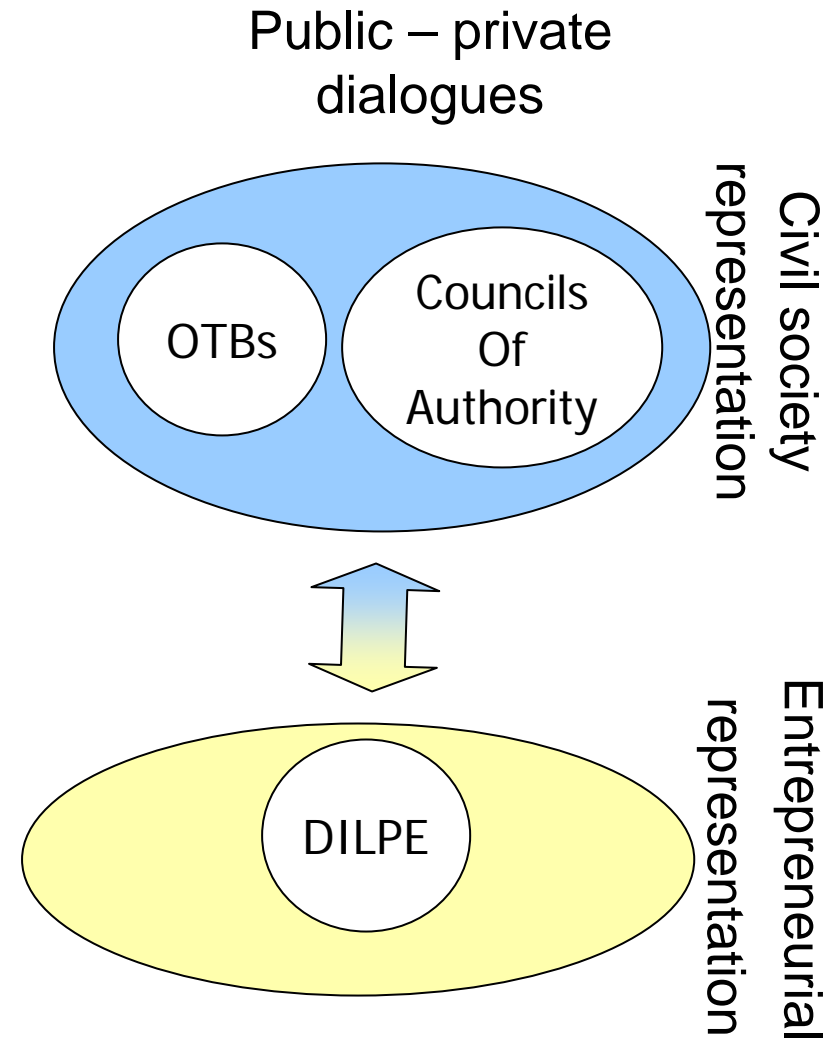
- Population: 8 million inhabitants, 64% of the population lives under the line of poverty with a GNI per capita of USD 870. Reduced internal market due to small purchase capacity.
- Bolivia has 8 inhab/m2. The main cities (La Paz, El Alto, Santa Cruz) have aprox. 1million inhabitants each. 40% of the population lives in rural area. Bolivia is sparsely populated.
- Estimated: 310 thousand “informal” SMEs with an average of 5 employees represent 98% of enterprises and 70% of employment but contribute only 20% of GNI.
- Economic Data: GNI 3,3%, Inflation 2,5%, Fiscal Deficit 4,38%. Dolarized economy, currency devaluation 2,4. Exports 20% GNI. Main exports: petrol gas, soy, wood, mining, textiles, leather
- Social-political: Presidential change Oct 2003. Referendum July 2004. National Dialogue 2004-2005: “Productive Bolivia”. Constituent Assembly 2005.

LED context in Bolivia

- Ley de Participación Popular (LPP) 20.4.1994:
 - Proposes that decentralization of power and resources can strengthen democratic participation and redistribution of economic resources in a more egalitarian manner.
 - Changes:
 - Creates new municipalities and municipal governments.
 - Provides the direct election of mayors
 - Reassignment of 20% of GNI to Municipalities according to population.
 - Local governments (Municipalities) are responsible for the quality and coverage of local services (health, education, culture, sports, roads and local irrigation services) and local economical development.
 - Planning is a shared responsibility by municipal governments and OTB's and/or Communitarian Associations.
- Compro Boliviano: Prioritizes the local provision of goods to local and national governments by Bolivian enterprises.
- Tarjeta Empresarial: SMEs that bear the Tarjeta Empresarial but are informal can provide goods and services at Governmental acquisitions that are catalogued as “minor expenditures” (max. USD. 125.000).

What is the role of SMEs in this processes?

- SMEs participate in the prioritization of “productive vocation” of the Municipalities
- SMEs can provide goods and services to local Governments (e.g. School breakfasts, desks...)
- SMEs can demand training, technical assistance, fairs, etc. that Municipalities can provide/organize and co-finance.



SED vs LED?

The differences are clear and contrasting, but points in common do exist:

SED

The analysis of the interrelation of links involved in the production of a product/productive sector prevails.

Clear market orientation, individualistic focus (exclusive vision)

This approach tends to promote specialization

Study that focalizes on a productive sector, which can involve different regions, rural area, cities and countries. .

LED

The analysis starts from a territorial approach, prioritizing productive sectors based on local productive vocations.

Communitarian approach: Municipalities have the task of promoting development for ALL of the inhabitants of it's region (inclusive vision).

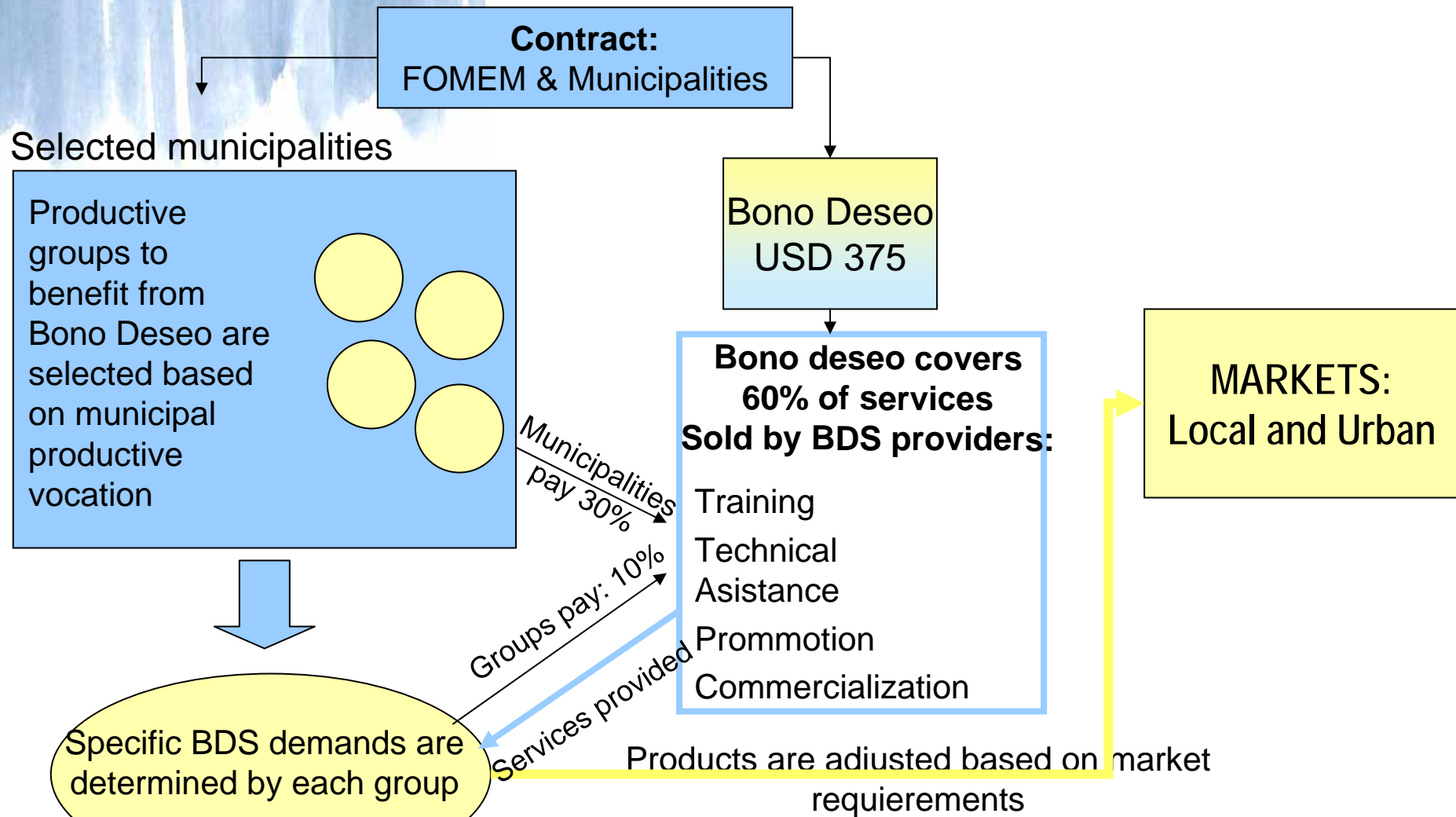
LED promotes the economy in determined geographical locations in which there is productive potential, consumer demand and an environment in which economical activities develop.

SED & LED

Municipalities can promote a positive environment for economical development, by seeking synergies with other municipalities they can potentate their regions prioritized productive sectors (e.g. Tourism in Mancomunidad de la Chiquitania - a municipality association)

SED initiatives can have better results if they include municipalities as an important actor in a productive chain (e.g. Quinoa value chain analysis by UPC)

Sector Based intervention with an LED approach: BONO DESEO



BONO DESEO

Bono Deseo

- Group voucher for rural producers and SMEs
- Access to 5 vouchers per year per group (USD 375)
- Chain orientation: Serial consecutive activities that permit the invigoration of SMEs (Training, TA, Promotion, Commercialization)
- Municipalities co-pay 30%
- SMEs co-pay 10% to 40% of total costs

Up to date Results

- 271 “Bono Deseo” distributed since 2002, with an average of 15 participants per group (4065 people benefited)
- 17 Municipalities participated in the program.
- New products & new markets



A concrete case... Municipality of San Xavier



Bono Deseo:

- 2003: 18 vouchers
- 2004: 28 vouchers
- Approximately 12 groups

Results achieved:

- Institutionalization of the “Productive, cultural and tourist Fair” each last Sunday of the month
- Participation of cooks, pastry, ceramics, artisans, presentation of music and dance (all trained through Bono Deseo)



“with the Bono Deseo we have advanced rapidly, now we have the Fair, we are well known, our products sell more and we make more money... Who wouldn't want this?”.....

Discussions based on hypothesis for intervention

In what way can decentralization and democratization processes contribute to an enabling environment for SED?

- SMEs prioritize the productive vocation that their Municipalities define through public-private coordination Committees. Based on which projects and investments are included in Municipal plans and budgets, empowering local actors to intervene in the frame conditions for SED. (1)
- In Bolivia, many Townships are recently becoming aware of their role in LED and have difficulties in satisfying a multitude of diverse interests and demands with reduced budgets. (2)
- Productive groups must be well organized and informed about existing mechanisms in order to effectively defend their interests. (3)

Discussions based on hypothesis for intervention

Are existing Private – Public dialog mechanisms representative in terms of creating a common vision regarding LED?

- Private-Public dialog mechanisms are a key factor for the development of LED. Many Municipalities have implemented Local Public – Private Directories, others negotiate with productive sectors on a one to one basis, or representatives of productive groups. (4)
- The effectiveness of these dialogue mechanisms depend on LED awareness of both parties, and their capacity of coordinating efforts. (5)

Discussions based on hypothesis for intervention

How can Rural – Urban linkages help integrate supply chains?

- Municipalities per se are an important market for SMEs, though their acquisitions. They can offer an important local market opportunity for rural SMEs. Legal reforms like Compro Boliviano and Tarjeta Empresarial can facilitate SME access to these opportunities. (1)
- Urban markets offer the most important potential in terms of prices and sales volume, but many products are passed on through a variety of different commercial intermediaries until they reach urban markets. Therefore rural micro enterprises have little knowledge of urban market demands and specifications. Offering a shorter supply chain can increase the amount of market information that SMEs receive. (2)

Discussions based on hypothesis for intervention

Are Clusters the best approach to a sector and geographical concentration strategy?

- Clusters are an interesting approach to a sector and geographical concentration strategy. Some lessons learnt through experience are:
 - Municipalities may have to adjust their demands in order to make it possible for SMEs to participate in tenders. Bolivian law permits municipalities to divide their acquisitions in smaller groups of products.
 - Which SMEs participate in a cluster must be decided by the enterprises and not the client.
 - Clusters demand specialized BDS in order to standardize production, quality, costs and processes. They also require TA in how to present their proposals and reports to municipalities.
 - SMEs require special financial products that adjust to the reality of producing for municipalities since these do not pay on time, regular credit lines can be hazardous for SMEs.
- Other entrepreneurial schemes like franchising and subcontracting can create interesting market possibilities for rural micro enterprises and producers as well. (4)

The end....

Questions and Comments?