Making Markets Work Better for the Poor in Bolivia (MMW4P Bolivia)

Purpose:
Improving market access for informal businesses in Bolivia.

Dates:
Started in 2002 making it one of the earliest MMW4P programmes. Implemented in three phases over a 3-4 year period.

Funding:
DFID committed £1.5 million(?) and was the sole funder.

History/Environment:
The Government of Bolivia had launched the Bolivian Productivity and Competitiveness System (BPCS) backed by a policy loan from the Inter-American Development Bank (IDB). The BPCS brought together all the relevant government agencies and representatives of the private sector and civil society. The representatives of the private sector were, however, drawn exclusively from medium to large, formal businesses which provide employment to only 15% of the country's non-agricultural work force. The huge number of small, informal businesses, the main employers, had no voice. Bolivia was going through a period of unstable government where parties representing differing political view points amongst the elite formed successive governments. Exclusion of the indigenous people from the growth process was causing political resentment and increasing inequality. At the time the programme was launched, the government was sympathetic to the need to increase growth and the participation of the indigenous poor in the growth process. That government fell and was replaced by a government that was much less responsive to the interests of the poor.

Towards the end of the programme, DFID Latin America adopted a Regional Assistance Programme (RAP) that, in the face of limited resources, chose to influence the work of the IFIs (World Bank and IDB) at a regional level rather than continue country level programmes. DFIDB therefore adapted the programme to that agenda by involving the IDB.

Driver of programme, positioning & timing:
The informal sector had come together to form an apex organisation, the Comite de Enlace (CE). The CE was well led and represented a group of committed stakeholders that had the capacity to engage in policy dialogue. The government of the time was willing also to engage in dialogue with the CE. Thus, conditions were close to the perfect storm. DFIDB backed the ambitions of the CE. The programme was positioned as a supporter of the disenfranchised informal sector. Its timing was fortuitous to begin with but conditions deteriorated with the change of government.

Governance:
Strategic oversight was exercised by a Project Steering Committee which included DFID, the CE and, in later phases, the BPCS, the IDB and PRO-RURAL, an NGO that managed this phase of the programme. Operational governance was exercised by the DFID Project Officer.

Management:
To begin with, the CE managed the programme in conjunction with DFIDB. In the third phase, PRO-PURAL provided management services.

Approaches:
In the first two phases, the approach was to enable the CE to gather evidence and engage in policy dialogue with the BPCS. Whilst research was carried out on a number of issues, the programme found traction in attempting to streamline business registration by introducing a business card (Tarjeta Empresarial) and to increase access to government procurement for small, informal businesses (Compro Boliviano - Buy Bolivian). These early successes, however, were not well implemented by the successor government. Far fewer business cards were issued than anticipated with the uptake limited to a few municipalities. Government procurement continued to be dominated by large, formal businesses. The BPCS failed to bring about better outcomes in markets and sectors that mattered for the poor. The third phase of the programme therefore adopted a bottom up approach (a mini-lab) of informing policy and institutional reform and donor and IFI programmes by the actual experience of the small and informal in participating in markets. PRO-RURAL piloted

mechanisms to improve access to finance and the participation of the poor in selected markets.

Instruments/Tools

- **Research.** In the initial phases, the main instrument used was research to gather evidence to influence policy reform and expertise to develop technical solutions for regulatory reform.
- **BDS and finance.** In the third phase, the main instruments used were mechanisms to improve access to finance and BDS expertise to help improve access to markets for small and informal businesses. The mini-lab brought together stakeholders to study evidence on how regulatory reform and instruments to improve access to finance and markets were impacting small and informal businesses.

Major Challenges:

- **Political change.** The major challenge the programme faced was how to maintain momentum for the reform process in a constantly changing political landscape in which the appetite to support pro-poor reforms varied. It became apparent that top down policy and regulatory reforms to improve the investment climate had only limited impact on the livelihoods of the poor calling for a change in approach.
- **IFI's inflexible.** The IFIs, whilst willing to learn lessons from the mini-lab, were also found to have limited flexibility in responding to the needs of the poor. Their main instruments, policy and investment loans, are aimed at government rather than directly influencing outcomes in the markets from which the poor earn their livelihoods.

Strengths:

- **Committed BMO.** The major asset of the programme was that, in the CE, it had committed and capable stakeholders whose ambitions it could invest in. The credibility of the CE enabled the programme to support evidence based dialogue which resulted in significant regulatory reforms.
- **Platform for dialogue in place.** The BPCS provided a ready made process of reform that the programme could influence though the CE.
- **Programme flexibility.** The in-built flexibility in the programme's design also enabled it to respond to the challenge of improving market outcomes when it became apparent that regulatory reforms would not deliver significant improvements in the livelihoods of the poor.

Key Issues:

- Whilst conditions were close to the perfect storm to begin with, they became far less conducive when the government changed. Programmes need to factor in such events in countries with an unstable political environment by building broad constituencies in support of reform that transcend political parties;
- Backing the ambitions of a committed and capable stakeholder in the CE ensured strong local ownership and credibility to influence the reform process. The BPCS provided the trigger for change and a platform to engage in the reform process. These factors proved crucial for success;
- Top down regulatory reform helped improve market access but was not sufficient to improve the livelihoods of the poor. Such reforms need to be complemented by interventions to improve access and outcomes in markets from which the poor earn their livelihoods;
- Engaging credible NGOs can help to pilot interventions that demonstrate how market access can be improved. It is important though to engage public and private stakeholders in the evaluation of interventions to influence their behaviour;
- Whilst the IFIs are willing to learn lessons from the experience of the poor, they have limited flexibility in designing MMW4P programmes. Their instruments are loans to government.

Case studies/papers

Mid term review and PCR(?), various case studies and programme reports.