

DIAGNOSTIC
AND FORECAST
ON NON-FINANCIAL
SUPPORT TO URBAN
AND RURAL MICRO
ENTERPRISES IN BOLIVIA

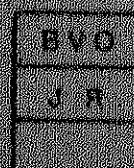
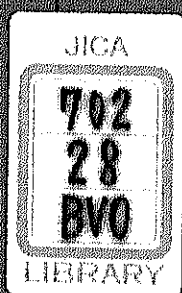
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CHAPTER 1

DESCRIPTION OF THE URBAN MICRO BUSINESS

1 Description and number of business ventures in the urban Micro and Small Business Sector (M and PE)

1.1 Definition.

The definition of what is a micro and what is a small business is a matter still under discussion among those concerned with these sectors of the economy. In Bolivia, we have yet to found a common ground that would allow for a categorization in harmony with the social and economic reality of the country. The varied national institutions, either public or private, use divergent criteria:

This study will adopt the categorizations developed by the Private Institutions Corporation for Entrepreneurial Support (CIPAME)¹ and that of the National Institute of Statistics (INE):

Table 1. Categorization of the Micro and Small Business Sector

CIPAME		INE	
Category	Personnel	Category	Number of Personnel
Family-owned Micro business	Up to 4	Micro Industry	1 to 4
Micro business semi managerial	5 to 10	Small Industry	5 to 14
Small business	11 to 20	Medium Industry	15 to 49
		Great Industry	50 or more

Source: INE database. INE and CIPAME - 2000

The absence of studies and reliable statistical data does not allow for the account of other criteria of classification such as investment, sales volume, production levels, and others forcing us to rely solely on the number of personnel.

1.2 Urban Ms and PEs and their characteristics

Urban Ms and PEs constitute a mixed conglomerate that performs a variety of actions that complement the work of industries, services, and all business-related activities. In addition to the diverse accretion potential of these small businesses:

- There are business concerns where revenue barely covers a determinate level of family subsistence and the recovery of the capital invested. For the most part, micro businesses are set in this category.

¹ Organization gathering all institutions that provide strategic growth services to micro businesses and small urban enterprises.

Translator's note: Both CIPAME and INE are Spanish acronyms for the names of those institutions.

- In other types of business, their revenue allows the owner not only to cover his or her basic needs and the recovery of capital, but also to expand the business and perhaps even to access progressively higher levels of consumption. In this category are mainly small businesses and some industrial micro enterprises.
- In other instances, deficit-prone businesses barely generate enough revenue for family sustenance forcing the individuals to forsake capital recovery. The smallest of all micro businesses reside in this section.

Among other characteristics, the economic units in this sector:

- Have one or few owners.
- Operate independently from large firms or financial groups.
- Do not hold a dominant position in the marketplace.
- Use low technology, non-sophisticated procedures and techniques in their daily operations.

1.3 Number of economic units

According to the Center of Studies for Labor Development and Farming (CEDLA)^{*} the official statistical data underestimates the actual size of this sector. Combining the information set forth in the Industrial Manufacturer's survey and in the Home Survey of the National Institute of Statistics the number of micro entrepreneurial units can be established by activity clusters.

Table 2
NUMBER OF MICRO ENTREPRENEURIAL UNITS
(Capital cities)

TYPE OF ACTIVITY	NUMBER OF ECONOMIC UNITS SECTORS		
		Family	Semi
managerial			
Industrial	95.422	62.283	33.139
Commercial	252.465	210.877	41.588
Services	42.746	24.065	18.681
Others	110.255	69.728	40.527
TOTAL	500.887	366.953	133.934

Source: CEDLA, estimated. INE database. INE - 1995.

The main thrust of micro entrepreneurial units is in the Commercial sector (50%), followed by the Industry (19%), Services (9%) and others (22%).

1.4 Analysis of the contribution of the Sector to the Economy.

Statistical data pertaining to the contribution of Ms and PEs is either not very reliable or nonexistent. The exception is the information that stems from the industrial sector. This data we will now expound in three instances:

- Incidence of the micro entrepreneurial activity on the national economy.
- Incidence in job creation.
- Size of the economic units and generation of added value.

1.4.1 Incidence of micro entrepreneurial activity in the National Economy.

The Medium-size Industry's incidence on the GNP is within the range of 1,60% to 1,94%, with an average value of 1,73% in 1994.

For the period 1988 to 1998, the INE sets the percentage contribution rate for the Small Industry within a minimum of 0,65% and a maximum of 0,74% of the GNP. Micro businesses contributed with an estimated 0,51% of the GNP.

Table 3
Contribution to the GNP

Sector	Percentage Contribution
Medium Industry	1,73%
Small Business	0,695%
Micro Business	0,51 %
Total	2,94%

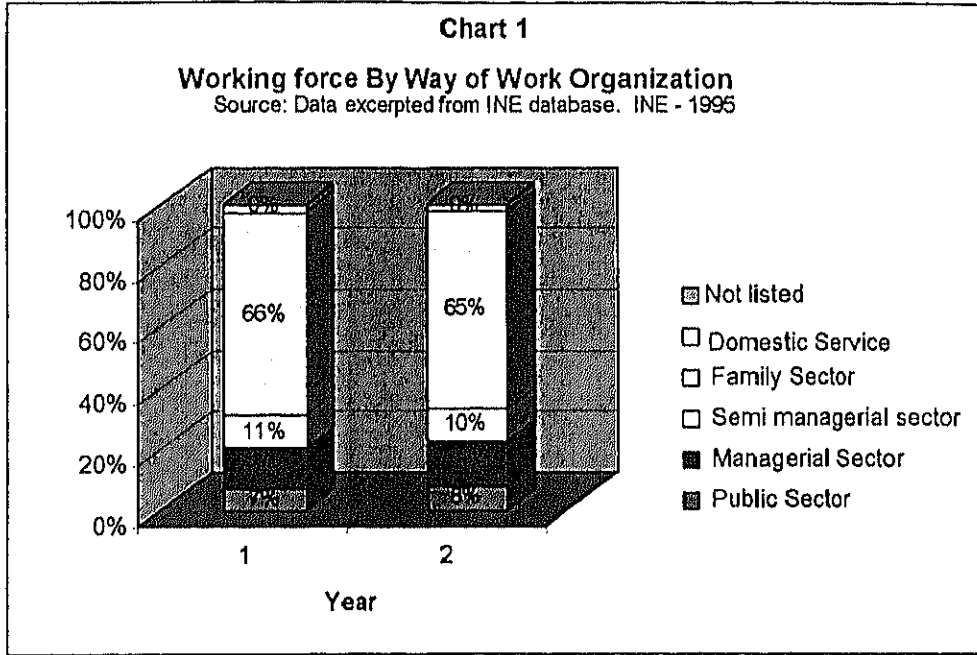
Source: INE database. INE - 1995

Following the information set forth in Table 3, the contribution to the GNP of industrial Ms and PEs, Medium Industry included is of, approximately, 2,9%.

1.4.2 Incidence in job creation.

The large majority of Ms and PEs establishments are statements of self-generation of job opportunities from a portion of the population that has no real chance of entering the employment market. The people in this group engage in activities that secure their survival and the survival of their families. From that viewpoint, it seems valid to assume that the urban Ms and PEs constitute a variable that offsets the high rate of unemployment.

In the years 1996 (1) and 1997 (2), the Ms and PEs (taking into account only the family sector and not the semi managerial and domestic service sectors) have generated 65% of the employment in our country. These two sectors account for practically two-thirds of the urban labor force, that is more than eight hundred thousand individuals.



As depicted in the next chart, in the specific case of capital cities, we can see that the Ms and PEs (in the family sector only) generate 41% of jobs.

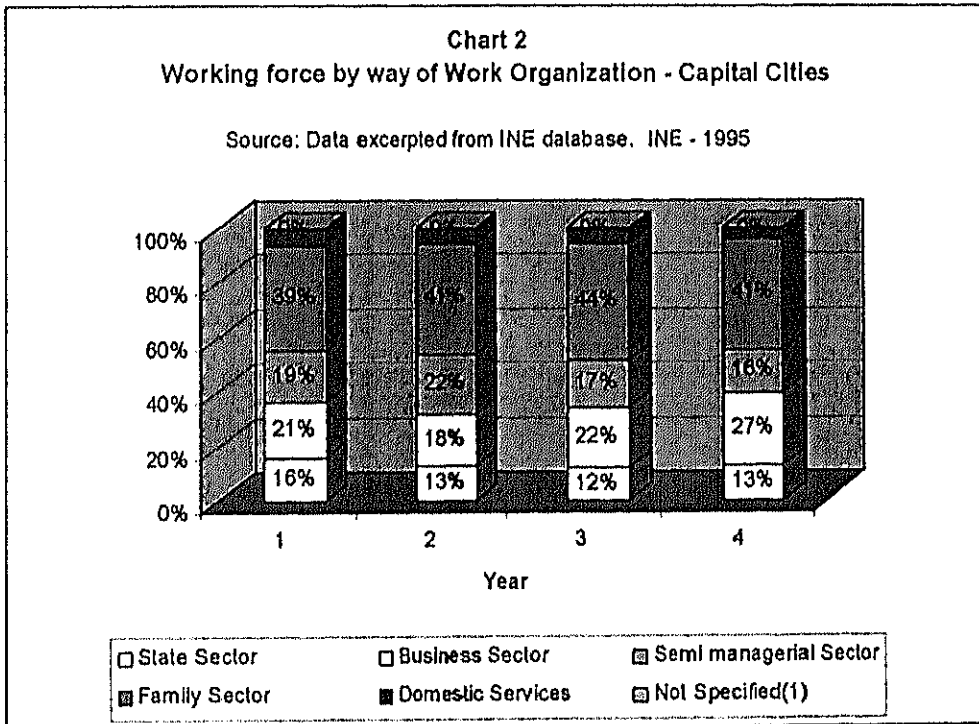
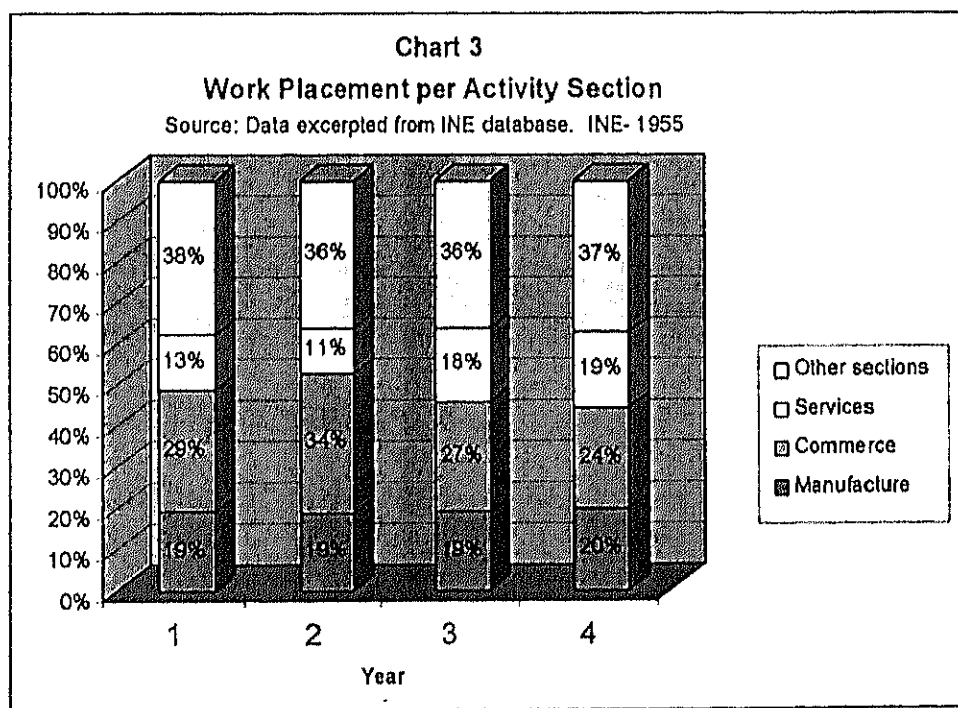


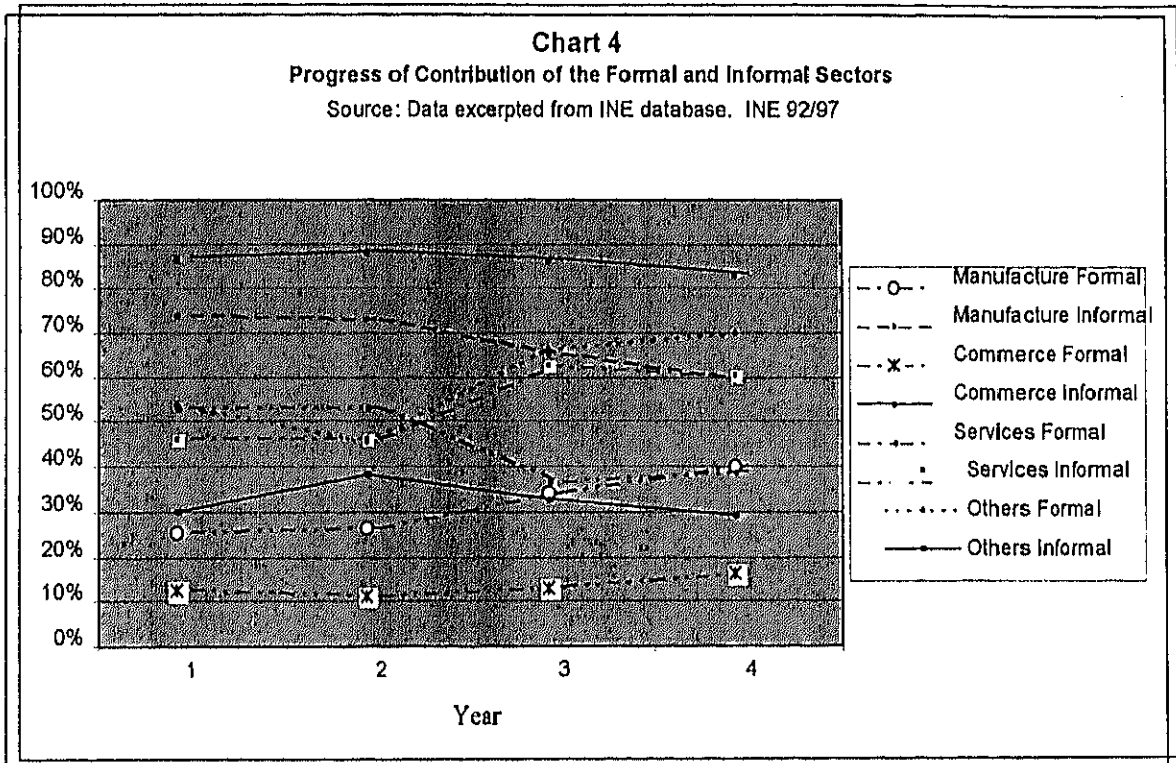
Chart 2 expounds the trend along the years 1992 (1), 1995 (2), 1996 (3) y 1997 (4). In spite of the Managerial Sector's added contribution to job creation, the family organizations of the inner cities prevail in the job creation section. The available figures show how important micro businesses are for job creation. In the last decade, micro businesses generated 90 out of every 100 new jobs.

1.4.3. Main activity sections

Between the years 1992 and 1995, the increment of employing in the sector applied to commercial activities accounted for more than half of the total percentage growth of urban employment. Employment in the commercial section topped largely the contribution of industries, services, and other sections. Nevertheless, at the outset of the year 1996, a contraction in job placement of the commercial section and an increase in other sections namely in services. Still, the commercial section holds a relatively dominant position in relation to the total number of jobs generated in the last decade.

We estimate that this trend will remain constant in the following years, given the fact that the sluggish Bolivian economy does not have the capability to generate additional employment for new people entering the market each year.





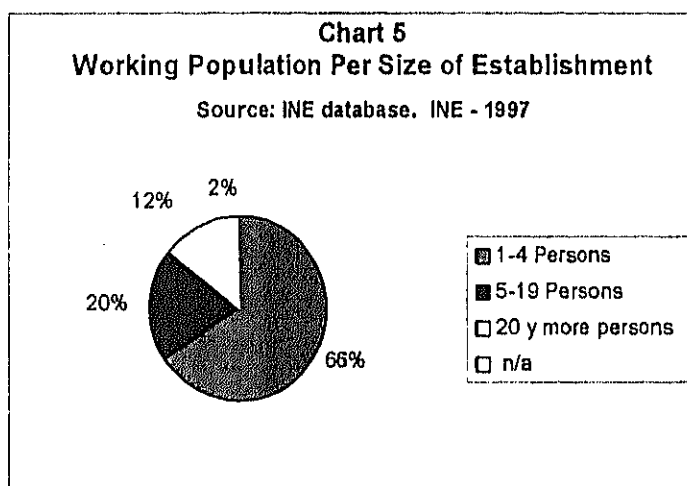
ECONOMIC SECTOR	1992	1995	1996	1997
Manufacture Formal	26%	27%	34%	41%
Manufacture Informal	74%	73%	66%	59%
Commerce Formal	13%	12%	13%	17%
Commerce Informal	87%	88%	87%	83%
Services Formal	53%	54%	37%	39%
Services Informal	47%	46%	63%	61%
Other sections Formal	54%	46%	67%	70%
Other sections Informal	30%	39%	33%	30%

Source: INE database. INE - 1992 to 1997.

Ms and PEs, but especially micro businesses, are integer parts of what we know as the *informal* sector of the economy. An *informal* going concern is one not registered in the Chamber of Commerce and one that does not have a legal standing. The information depicted in the graphs above show that, in all areas of economic activity, the presence of informal businesses is very strong, with the sole exception of the informal ventures in the manufacture section, which show a downward trend.

1.4.4 Line of work and size of the establishment.

A National Institute of Statistics (INE) survey on employment for the year 1997 shows that 66% of the working population is in the Ms category of 1-4 individuals. A 20% is in the PE category of 5-19 workers, and only 12% of the total work in establishments defined as medium or large firms.



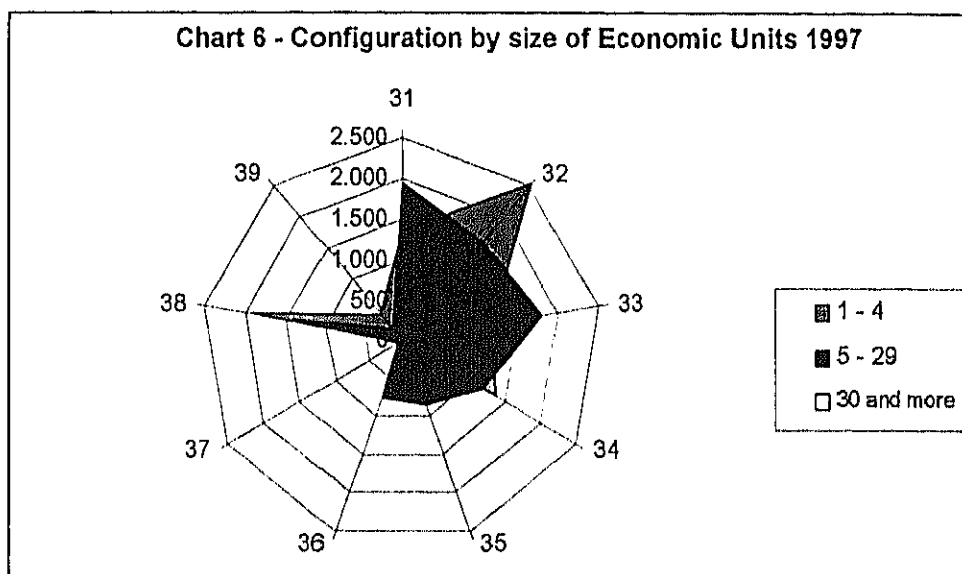
1.5 Size of economic units and the creation of added value².

A sector of great importance for the Ms and PEs is the industrial sector because it has greater potential for development and accretion. The industry offers the best environment to get work quality and stability.

The productive activity of small and micro businesses encompasses all sections in manufacturing. Altogether Ms and PEs add to 90% of the total number of productive units in the industrial system. This condition is very significant for producers of foodstuffs, textiles, leather goods, wood products, and furniture. It is in these areas where the micro units of 1 to 4 workers constitute the majority group.

Graph 6 depicts a dominant area of small units (99%), and a small group of managerial units of more than 30 employees, which, in the case of Bolivia, may be considered a large enterprise.

² Data excerpted from CEDLA: *Productive Micro business: an employment option* – Carlos Arze Vargas



Source: CEDLA data updated for 1997.

CIU	INDUSTRIAL GROUPS
31	FOODSTUFFS PRODUCTS, BEVERAGES, AND TOBACCO
32	TEXTILES, APPAREL, AND LEATHER INDUSTRY
33	WOOD INDUSTRY AND WOOD BYPRODUCTS INCLUDING FURNITURE
34	PAPER FACTORIES AND PAPER PRODUCTS, PRINTING HOUSES AND PUBLISHERS
35	MANUFACTURE OF CHEMICAL SUBSTANCES AND CHEMICAL OIL, COAL, NATURAL RUBBER, AND PLASTICS
36	MANUFACTURE OF NON-METALLIC MINERAL PRODUCTS, EXCEPT OIL AND COAL BYPRODUCTS
37	LOW-TECH METAL INDUSTRIES
38	MANUFACTURE OF METALLIC PRODUCTS, MACHINERY AND SUPPLIES
39	OTHER MANUFACTURING INDUSTRIES

Table 5: CIU Applied Classification

In relation to the contribution of the three groups to the added value of manufacture, the large industries lead the other two sectors with a contribution of 60%. The small industry supplies a 22% followed very closely by the micro industries that provide 18% of the total. Contrary to what happens with the number of establishments, in this case, the large industries are the dominant group in the stratum. The more apparent explanation for this conjuncture is the low levels of production and low productivity that are specific of the small and micro units.

CHAPTER 2

DESCRIPTION OF SMALL RURAL ECONOMIC UNITS

2.1. General Outlook

The agricultural sector plays a significant role in Bolivian economics. Cattle raising and farming account for 18% of the national GNP (1990 – 1997). The National Institute of Statistics places agriculture second amongst all GNP components.

In the year 1997, the sub sector of industrial agroproducts (produced by large agricultural industries) boasted a growth rate of 13,7% followed by the non-industrial sub sectors of cattle and agricultural products with a 4,7% and a 4,2% growth each. The rest of the sub sectors had a percentage growth below 2,5%.

Bolivia has three main agricultural and ecological regions: the Altiplano; the valleys region where small-scale productive units still hang to traditional farming methods; and the Eastern flatlands where large industrial units constitute the bulk of agricultural enterprises.

The agricultural sector in Bolivia has the following characteristics³:

It produces a large variety of crops and cattle products thanks to the benefits of a varied climate. Its production spans from tropical crops such as natural rubber, coffee, and cacao, to cold-climate crops such as *quinua*⁴ and barley.

There are approximately fifty thousand agricultural enterprises, which, according to the Center for Studies of Labor and Farming Development (CEDLA)⁵, comprise a reduced number of units when set against the 650,000 farming units (similar to urban micro business.) These units still employ traditional methods of production, and they aim to fulfill first the basic needs of their families before selling their surplus products in local markets. Nevertheless, a great number of families cannot produce enough to satisfy their most basic needs. Those groups survive in conditions of extreme poverty.

³ FIDA. Project for the expansion of South American camelidae ruminants in the Altiplano, 1991

⁴ Translator's note: An Andean cereal.

⁵ Translator's note: Acronym for its title in Spanish.

Traditional farming is a labor-intensive, low-capital productive activity, whereas modern or commercial agriculture is a high-technology industry that requires large amounts of capital and the use of a highly skilled and specialized labor force. Modern agriculture, located in Bolivia mainly in the department of Santa Cruz, aims its efforts primarily to export markets.

The farm producer in Bolivia is a landowner by virtue of a Land Reform instituted in the year 1953. Bolivia counts with 108 million hectares³ of land, of which roughly 32 million were given to 40,000 private enterprises, and 4 million hectares went to 550,000 home-based farming units. Consequently, the land reform at best gave the *campesinos* ownership of small farms, but it also initiated a process of land fragmentation and perpetuated the consolidation of the bulk of the land in the hands of businesspersons.⁴

Land fragmentation derives in low productivity for small farm producers who can barely produce enough to fulfill the most basic needs of their families. This is the main reason for the continuous process of rural depopulation that began thirty years ago in the majority of the Departments. From a country with an essentially rural population Bolivia has now 58 per cent of its inhabitants living in cities, a trend that is expected to continue in the following decades.

In the period between the years 1976 and 1992, two years when demographic censuses were applied, Bolivia registered an annual population growth rate of 4.1 per cent. The National Institute of Statistics (INE) reported that despite the growth rate, the rural population had their absolute numbers diminish from 2.69 to 2.68 million people. In relative terms, this is a decrease from 58 per cent to 42 per cent of the total population.

As of rural employment estimates, according to the Center for Studies of Labor and Farming Development (CEDLA) and the INE, there are 650,000 farming units (micro businesses), and 50,000 managerial units (small, medium, and large enterprises). These comprise an employment pool of 1.2 million people.

³ Translator's note: 1 hectare = 2.471 acres.

⁴ Cossío, Ivan: *Land Ownership in rural areas*. 1994.

TABLE 6
NUMBER OF ENTERPRISES BY SIZE
RURAL SECTOR

TYPE OF BUSINESS	NUMBERS
Micro businesses	650,000
Small businesses	50.000

Source: Data excerpted from CEDLA database, 1995

Farm producers, under strain for the use of low-technology farming methods and due to the low productivity have sought to diversify their work turning to alternative sources of income such as the making of handicrafts and commerce.

2.2 Rural poverty and its relation with economic activities

Bolivia is perhaps one of the countries with the highest percentage of rural poverty. The authorities estimate that more than 90 per cent of the rural population of this country live in conditions of extreme poverty, as set forth in the UN's poverty map.

The many components of rural poverty cause that:⁵

- Exist very few opportunities of productive employment, either in the agricultural or non-agricultural areas. A limited or non-existing access to productive resources that generate an adequate return on small-farm produce.
- Bad Nutrition, poor health, and want of educational services.
- Inadequate levels of organization to negotiate effectively to there best interest.

These elements no doubt take rural production to a state of crisis and, along with that, take away all chance for expansion and growth. In this sense, we have identified the following factors:

- Agricultural production, in different work environments, does not guarantee the reproduction of the family work force; moreover, the tendency to a diminished capacity of self-subsistence is lower.
- The prospects of productivity for the population are limited and restrictive, due to their dependence on weather conditions, the accelerated process of land fragmentation, and the impoverishment of their natural resources.
- The demands for survival for young families in rural areas are increasingly adverse, and they are forcing the families to migrate in an irreversible depopulation trend.

⁵ Echeverría, Ruben. *Strategic elements for the reduction of rural poverty in Latin America and the Caribbean*. Inter American Development Bank, BID1998.

- The farming organization does not have the necessary means to tackle, by itself, a solution to all problems.

2.3 Rationale of economic activities

The traditional way of thinking of Bolivian farmers still prevail in our country, and their economic behavior show the following traits:

- **Tendency towards self-sufficiency.**

Understood as the capacity for a farming economy to produce as much for self-consumption as for market consumption; to generate surplus to be able to reconstruct rural life conditions.

- **Awareness of the risks.**

This implies facing adverse circumstances, such as those arising from acts of nature or social injustice. A tradition of an effective use of available resources while preserving them.

- **Work Diversification.**

The Bolivian farm worker expands his or her productive actions to include the making of handicrafts and non-farming activities. These low-tech ventures are also low in productivity.

- **Intensive use of Manpower.**

All family members try to combine work in their own land with work outside their home.

- **Reciprocity in Social Relations.**

Farm work is essentially a social process that involves close interaction with other similar units. Product exchange and reciprocal work are examples. "In this sense, the farming unit is part of a larger aggregate of social relations. It is in this context that the non-mercantile actions, such as product exchange and reciprocal work, can be explained."⁶

- **Low capital investment.**

In general terms, the farmer undertakes the productive process with a low investment in relation to the available work force. The productivity is low, work conditions are inadequate, and the monetary return is small.

⁶ Ibidem.

- **Dependence.**

The articulation of the unit with the economic system is dependent y subsidiary. It is subject to an uneven interchange.

From this point of view, the conditions of production these units encounter are:

- **The economics of scarcity.** The extreme scarcity of resources sets the stage for the production process. Basic survival needs force the units to meet the productive cycles using the scanty available resources.
- **Small capital.** The restrictions cited above, result in a very limited capital investment that compels them to adopt labor-intensive, rudimentary production techniques.
- **The economics of risk.** Farm producers depend solely on the results of their work for survival.
- **Uneven interchange.** Farm workers offer their goods to the marketplace and demand in return consumer products and a few production materials. Their structural frailty places them in a position where the market can impose a situation of uneven interchange. The prices set for their products do not necessarily have a correlation with their effort or with what they pay for their purchases. A mechanism that transfers value to those of greater economic advantage is at work.

The farming economic units exhibit the following characteristics:⁷

- **Infra subsistent.** Farming units whose resources are below the minimum needed to produce goods that could generate the return needed to fulfill their basic nutritional needs. The weaker micro businesses are in this category.
- **Subsistent.** Farming units with enough resources (farming land) as to cover the basic survival needs of the family. That is to say, that in addition of basic nutrition needs, the return covers clothing, health, housing, and recreation needs. A good number of micro businesses are in this category.
- **Stationary.** Farming units of simple reproduction, that is, those that cover with their revenue not only their nutritional and other basic needs, but also the replacement of materials and the repayment of production means. Here we find micro businesses and small business.

⁷ Zeballos, Hernan. *Farm economics and agricultural credit*; in: *Credit Policy and Farm Economics*, DRU, 1992.

- **Surplus units.** Farming units that with their proceeds are able to pay for their nutritional and other needs and for the use and replacement of production inputs. Surplus units, however, are able to generate a surplus that they may accumulate or reinvest. A small number of micro businesses and a large number of small, medium and large businesses are in this category.

An estimate of the number of surplus farming units sets their number to 100,000. These farmers have strong ties with the market as in the case of rice producers, coffee growers, cattle raisers, and others. Despite their close ties with the market, these farmers also confront problems of low profits due to adverse commercial and productive conditions. They run high-risk ventures that suffer from the lack of access to a productive base, and that are sensitive to the acts of nature.

Farming economies carry an economic and social significance that multiple studies and investigations have identified and sanction. This allow us to maintain that the main attribute of **subsistence economy** that traditionally identify small farming, may be examined in a different light due to the following facts:

- They contribute to their own survival, in an adverse environment and with few opportunities.
- They have an active participation in the production of agricultural goods, which supply urban centers.
- They connect with the rest of the economy not only as merchants but also as suppliers of labor. They are involved in all types of activities outside their homeland, and they are buyers of farm materials and of goods and services for their sustenance.

CHAPTER 3

PROBLEMS AND REQUIREMENTS OF Ms and PEs

3.1 The Viewpoint of the Government

When attempting to examine the many issues raised in relation to micro and small enterprises in Bolivia, one must accept the premise that, by definition, all problems are "systemic." That is, they are part of an interconnected framework of problems, which, in many instances, are interdependent.

From this outlook, the Bolivian State through its Ministry of Economic Development, and with the collaboration of the German Government, has initiated the elaboration of a national strategy for the expansion of MEs and Ps (Medium and Small business enterprises)⁸. The aforementioned strategy registers, from the Government's perspective, the cardinal problems that afflict the Medium and Small business (similar issues confront Micro businesses), thus identifying the following:

Dominant Group. These have a high incidence of influence and low incidence of dependence. This means that the Dominant Group of problems influences others in greater proportion than they allow others to influence them.

Conflictive Group. These are problems with a high incidence of influence and, at the same time, high incidence of dependence.

Escape Group. Problems that show a high incidence of dependence and a low incidence of influence are part of this group.

Stationary Group. Problems that have a low incidence of influence and a low incidence of dependence are in this group.

The table below shows a description of 49 types of problems, which, following the diagnosis of the Bolivian Government, correspond to some of the groups detailed above.

⁸Vice ministry of Industry and Commerce: National Strategy for Ps and MEs. Proposal: Methodology and Strategic Guidelines. 1999.

Tabla 7. Indices de Influencia y Dependencia (Directa) y Asignacion a Grupos para los Cinco Elementos Críticos del Sistema MyPE

Identif.		Problem	Indice de		Group		
Nº	COD		Dependencia	Influencia		S	
LEGAL AND NORMATIVE FRAMEWORK							
1.1	LOE	Limited Supply of Stable and Productive Employment	2,11	0,95			
1.2	DRH	Under - capitalization of human resources	1,75	1,24			
1.3	BPS	Low social productivity and of the factors	4	1,97			
1.4	AED	Absence of national strategy	1,09	3,71			
1.5	SEX	persistence of a discriminating society	2,47	2,69			
1.6	PME	Low social involvement in State management	0,95	2,4			
1.7	DIN	Institutional Frailty (structure and administration)	1,89	3,13			
SUPPORT SERVICES							
2.1	DEP	disconnection between education and productive requirements	1,53	2,55			
2.2	BAF	Poverly discourages of human resources	1,02	0,58			
2.3	SIN	Absence of national system of innovation and change	2,18	2,91			
2.4	DTE	Frailty of the business framework	2,84	3,2			
2.5	CCS	Hig concentration and low quality of service networks	2,11	1,6			
2.6	ISE	Few or non - existing incentives for specialized services	1,46	2,04			
2.7	PAF	Dispersion of PAF Institutions and of trade unions	1,6	2,11			
RESOURCES							
3.11	MOC	Unskilled labor	2,18	1,16			
3.12	BCV	Low quality of life	2,84	1,6			
3.13	PRH	Low productivity of human resources	2,77	1,53			
3.14	ADE	Absence of specialized demands	2,47	1,24			
3.15	NCC	Nepotism and patronage system	1,53	2,11			
3.16	LLP	Patronizing labor legislation	0,8	1,02			
3.17	OPS	Labor Organitations focus on salary raises only	1,38	0,66			
3.21	DCL	Inadequate labor conditions	2,11	0,8			
3.22	BES	Low demand for social protection and personal satisfaction	1,02	0,73			
3.23	IPO	obsolete material infrastructure	2,55	1,24			
3.24	PBI	Low production of intermediate goods	2,06	1,75			
3.25	ASP	Absence of system of suppliers	2,47	0,95			
3.26	PTR	Tributary policy excludes productive assets	1,16	2,33			
3.27	DSR	Frailty if the standarization system	1,53	2,55			
3.31	IEP	Investment do not seek to generate productive employment	3,86	1,97			
3.32	BCA	Low saving barriers	1,97	2,47			
3.33	BAC	Credit acces barriers	2,04	1,97			
3.34	CFA	Non competitive financial costs	1,46	2,18			
3.35	FMV	Bias in the financial sector and in the sotck market	2,04	2,26			
3.36	PRN	Restrictive and neutral polices	1,46	3,78			
3.37	DSL	Frailty of the legal system	1,16	2,98			
PRODUCT DEMAND AND COMPETITIVENESS							
4.1	CIC	Informal commerce heighthens contraband	3,64	1,6			
4.2	BCC	Low capacity for spending and purchasing	1,24	1,6			
4.3	BVA	Investment restricted to sectors of low added value	3,49	0,73			
4.4	CEX	Insufficient export diversification	2,84	1,53			
4.5	CII	Institutionalization of Informal commerce	2,41	1,53			
4.6	ACP	Puer commercial openness	1,31	1,46			
4.7	DCI	No trade control	2,4	1,89			
BUSINESS LEGISLATION							
5.1	EPN	Negative Pygmalion effect	1,02	0,95			
5.2	NIE	Necessity breed businesspersons	0,8	2,62			
5.3	FVE	Want of strategy vision	1,75	3,78			
5.4	PCP	Short term as a priority	3,71	4			
5.5	SAP	Countreproductive Bias	1,82	3,42			
5.6	PSA	Sluggish administrative systems	2,04	3,64			
5.7	NIC	Normaliveness as a coercion mechanism	2,62	2,91			

Source: VICI - Methodological Approach and Strategic Guidelines

This diagnosis and approach is the Bolivian State's first attempt to try to understand, with a certain level of accuracy, the agents that affect and restrain the expansion of the business enterprises in our country. To best explain the problems and needs micro businesses have, and taking into account the Government's approach, we will divide the problems in two groups: those that lay outside the business, and those that are peculiar to them. At the same time, we will try to distinguish some elements and their relative differences in the rural and in the urban areas.

3.2. Peripheral problems⁹

3.2.1. Problems of the legal and the normative framework (The role of the Government)

- **Inattention to the role of facilitator and promoter.** In Bolivia, none of the three State Powers, Legislative, Judicial, and Executive, but especially the latter, have fulfilled their responsibility to facilitate and activate the work of urban and rural micro businesses. The Bolivian State has not had the ability to acknowledge demands of these economic sectors, analyze them, and execute policies for their benefit. There is want of incentives for growth and expansion of Ms and PEs, as well as a complete absence of strategies and promotion for the sector.

To date, despite official recognition of the important part that Ms and PEs play in the economic and social realm, governmental organizations have not done nearly enough to create the necessary conditions to help these businesses improve their competitiveness. In some cases, government officials seem to do more to stifle the work than to promote it.

- **A complicated legal framework that is ill adapted for the sector.** The inadequate legal and normative framework forces a large majority of micro businesses to operate outside the law. This, due to the innumerable bureaucratic hurdles set to achieve a legal standing in Bolivia.

Another element that contributes to the illegal or informal status of most micro businesses is the intricate tax legislation. It is hard to understand and harder to observe. In general terms, there is no legal support to assist small business in their work.

⁹ Analysis based on Michael Porter's model, from his book: *Competitive Edge of the Nations*.

- **State mechanisms coercive and corrupt.** This situation impels the urban micro businesses to hide their operations from the eyes of State institutions. An estimated 95 per cent of micro industries conceal their activities inside private homes to avoid detection. Working-class districts in Bolivia are not only places to live but also active grounds of economic activity. They are productive urban communities¹⁰.

This "invisibility" quality has a lot to do with the fear businesspersons have to fall prey of the corrupt tactics in State institutions. Many a times, owners of micro businesses have experienced acts of coercion and extortion from government officials, especially those working for the city. Most cases relate to the procedure to get a license to operate, which is hard to obtain due to the high costs and the bureaucracy.

In short, owners of Micro businesses do not see the State as an ally that can provide favorable conditions for their work, that is why they prefer to remain in the informal sector. It will appear, then, that the high informality registered in all productive activities, answer to the simple logic that owners of small and micro business use: formality means higher direct costs of production and lower competitiveness.

3.2.2 Condition of the factors of production

The situation of the different factors of production defines where a nation stands in matters related to productive elements such as skilled labor, infrastructure, capital investment, technology, and natural resources.

The condition of the factors in our country, have an effect on the Ms and PEs, particularly on urban Micro and Small businesses and they are the following:

- **Unskilled human resources.** Human resources in this country are relatively abundant given the crisis of employment that we are experiencing. This kind of work force, however, is unskilled. Ms and PEs become training centers for the few workers they can hire. Unskilled labor raises costs and lowers productivity.
- **Lack and precariousness of Infrastructure.** The condition of the base structure is one element that limits the growth of competitive preeminence and raise costs for the Ms and PEs.

This is the case of the road infrastructure, precarious across the country, which makes more difficult the transportation of goods to distant places. At the same time, the bad roads hike up the price of delivery for urban and rural Ms and PEs.

Urban Ms and PEs do not have access to industrial parks well adapted to their

¹⁰ Villavicencio, Ricardo. Processes of Commercialization in Micro Industry: results of 240 case studies. La Paz, 1996.

needs. Grounds that supply water, electric power, disposal system, and other basic services at fair prices.

In most rural areas, the infrastructure is, according to non-governmental organizations and farmers that live there¹¹, the chief obstacle for their work. They point out to the following traits:

- Lack of an irrigation base system
 - Insufficient main roads, service roads, and access lanes to take their produce to the market
 - Groundwork for commercialization, related to gathering, classification, storage, conversion, standardization, and transportation.
 - Electricity
 - Land section location.
-
- **Access to soft technologies.** Technology applied in urban ventures is, for the most part, imported and of intermediate nature. Characteristically, PEs and Ms use light technology. In rural areas, the norm is to use and preserve traditional technologies; these circumstances bear heavily on the productivity of farming and/or stockbreeding.
 - **Financial services do not tend to specific requirements.** Notwithstanding the growth of financial services oriented specifically to servicing rural and urban micro businesses, effective financial support is still far ahead. High interest rates, short-term loans, and a tendency to favor working-capital loans in detriment of capital investment, prove that financial services are still far from effectively help improve the competitiveness of Ms and PEs.
 - **Insufficient supply of non-financial services.** The supply of non-financial services, or of business expansion, is still scanty, and businesspersons do not yet see the addition of new capabilities as a priority for running their business.

The conditions in which we find the elements of production surely do not promote the work and the generation of competitive advantages for Ms and PEs.

3.2.3 Associated sectors¹²

These are groups of suppliers or related business enterprises that can sustain a limit with their work, the growth of competitive advantages.

¹¹ Villavicencio, Ricardo. *The Importance of non-financial services in rural areas as counterpart of financial services.* FUNDAPRO, 1999.

¹² Villavicencio, Ricardo and Fernandez, Miguel: *A Study Of The Urban Micro Business.* Office of the Canadian Cooperation.

- **Incompetent Suppliers.** Purveyors of productive inputs and raw materials do not set fair prices and adequate terms of delivery for their products. Small business cannot negotiate better trade terms because their small purchases do not grant them the advantage to do so.

In the case of the provision of machinery, equipment, and spare parts, there are problems with the pricing, stock, warranties, and maintenance.

Purveyors of containers, packages, labels, and others, do not exist or do not conform to the scale of demand of small and micro businesses.

- **Want of information systems.** There is not a legal and reliable system of news and information on commercial opportunities, which could provide much needed up to date and quality data.

Associate sectors to Ms and PEs are non-existent or do not conform to the demands of small business enterprises, thus limiting their competitiveness.

3.2.4 Strategy and competition.

These are determinant factors of the nation that control the process of creation, organization, and administration of business enterprises, and the nature of domestic competition.

- **Strategies directed towards supply not demand.** The subsequent characteristics outline the conditions in which businesses in our country, especially Ms and PEs, tackle their strategies:

Production is not market-oriented, consequently urban and rural business do not operate with the aim to fulfill present or future demands or expectations of their prospective clients.

Ms and PEs have not been able to establish stable business relationships, in a framework of strategic alliances, with their suppliers to ensure opportunity, quality, and convenient prices from them.

Produce and services Ms and PEs use low and/or obsolete technologies and concentrate in labor-intensive production processes.

The short-term mentality, as opposed to a more promising long-term vision, prevails in most micro and small companies.

Productive Ms and PEs (with few exceptions) do not focus their work on servicing international markets.

They know little about the strengths and weaknesses of their competitors.

Small and Micro businesses do not provide quality pre-sale and post-sale services to their clients.

They have a tendency to concentrate in lower-price segments of the market.

- **Price-based competition.** Due to the circumstances cited above, it is not apparent, as of domestic competition, that in our country businesses compete vigorously and pressure each other to be creative and find better ways to increase their competitive edge. The competition base in the marketplace for Ms and PEs is fundamentally price. This is due to the peculiarities of demand in Bolivian markets. The demand is small, and its majority base has a low purchasing power.

Competing Ms and PEs do not create elements that set them apart from the others. This trait originates mainly in the way that the owner manages her or his business. As a rule, owners of small business have little training in business administration, a fact that makes it very difficult for them to adapt to the new realities of a fiercely competitive global economy.

3.2.5 Conditions of demand

- **Passive demand.** It refers to the quality and quantity of internal demand, which pressures businesses to furnish the markets while improving their products continuously.

Local markets are not demanding in terms of quality of products, services, design, and other qualifications. For this reason, national firms do not feel the necessity to better their products to meet market demands. The purchasing habits of Ms and PEs clientele are conditioned by, and highly sensitive to price changes and not to quality.

The percentage growth of internal markets and the increment of the purchasing power of the population are very low.

- **Market fragmentation.** The internal market displays characteristics of fragmentation because of the rapid entry of an ever growing number of small business and the flourishing of legal or black market imports.

In latter years, despite the reduced number of the internal market, and because of market globalization, foreign products similar to those of our Ms and PEs, have flooded the market. These products are a serious threat to local businesses because demand shifts towards the imported goods.

3.3 Problems of business management of Ms and PEs

3.3.1 Managerial administration

Micro and small enterprises, as a rule, do not use formal processes of planning. There exists a strong bias towards contingency, a trait that allows for a high degree of flexibility and adaptability to the particulars of the surrounding environment where they operate.

The organizational framework of Ms and PEs is elementary; they have a reduced number of personnel and limited resources. An important number of businesses, especially micro industries¹³, let family members run the operations. There is a clear separation of roles and functions. The division of labor in these economic units assigns to male employees and proprietors, the manufacture of the goods, while their female counterparts are in charge of marketing them.

Ms and PEs generally do not count with control mechanisms that allows them to evaluate and compare their actual performance with their set objectives, in such a way as to make the necessary corrections in the administration of the business.

3.3.2 Operations management

Marketing

Ms and PEs ordinarily, have a strong tendency to sell at any cost, with little or no regard for the needs and wants of their patrons.

These establishments circumscribe their sales efforts to limited areas for as long as they undertake this task by themselves. Ms and PEs will expand their sales territory through mediation mechanisms.

Product pricing in the case of productive Ms and PEs, is based on variable costs. They assume only direct costs of the productive process, and disregard asset depreciation costs, the proprietor's own labor cost, and others.

In relation to advertising and product promotion, the sole identifiable element is the personal, door to door sale.

In rural areas, the marketing of agricultural products has been traditionally one of the most critical factors for the farming sector. Conventional distribution and marketing structures still prevail and they enforce less than equitable multiple-mediator mechanisms.

¹³ Villavicencio, Ricardo: *Commercialization processes in the Micro Industry*. Op. Cit.

Production

In the case of service and productive Ms and PEs, the production processes start with simple instruments and low technology, which, in some cases, is obsolete. This has an impact on productivity and, more often than not, in the quality of the products.

Their schedule of maintenance of machinery and equipment customarily seeks to repair and not prevent wear and tear.

The process of organization and control of production are commonly inadequate, and that prevents detection and rectification of errors. This, again, has a negative impact on productivity because the tendency is to under-use available resources and the space set aside to carry out the productive activity.

Quality control is non-existent or quite rudimentary. Quite often, quality control is limited to a visual examination of the products.

In the rural realm, value added to the agricultural production is negligible.

Financial

In general, and with the exception of some small business, Ms and PEs do not separate clearly the family budget from the business budget. The owners of the business disdain standard accounting practices that could provide timely and reliable information for decision making and accurate forecasts of production costs.

The majority of these business ignore the pitfalls of running a business, and the type or actions they must take or not take to avoid losses and cover costs.

One of the chief causes of such shortcomings is the proprietors' lack of formal training in business administration.

3.4 Problem summary

The issues that act upon the Micro and Small business enterprise in Bolivia have their onset in the immediate surroundings, which is often adverse and not auspicious for carrying out its productive activities. At the same time, intrinsic factors related to the size of the economic unit and the managerial skills of its proprietors have a negative impact on the businesses.

**TABLE 8
ELEMENTS IN THE SURROUNDINGS ADVERSELY AFFECTING Ms and PEs**

PERIPHERAL FACTORS				
NORMATIVE AND LEGAL ELEMENTS	CONDITION OF THE ELEMENTS	ASSOCIATE SECTORS	STRATEGY AND COMPETITION	CONDITIONS OF DEMAND
State's inattention to the role of facilitator and promoter	Unskilled human resources.	Incompetent Suppliers	Strategies directed towards supply not demand	Passive national demand
A complicated legal framework that is ill adapted for the sector.	Precariousness and lack of infrastructure	Want of legal and commercial information systems.	Price-based competition	Fragmentary markets
State mechanisms coercive and corrupt	Access to soft technologies			
	Financial services do not tend to specific requirements			
	Insufficient supply of non-financial services			

Source: Own data and design.

Table 9 lists the more important among the adverse intrinsic factors.

**TABLE 9
INTRINSIC ELEMENTS ADVERSELY AFFECTING Ms and PEs**

INTERNAL FACTORS	
MANAGERIAL ADMINISTRATION	OPERATIONS MANAGEMENT
Inefficient planning and difficulties; short-term mentality; strong capability of reaction.	Commercialization of low added value products, strategies of market competition based on price, direct sales, non-existent mechanisms of product promotion.
Elementary organizational framework, high concentration of functions and decision-making.	Production process confronts organizational and control problems, businesses use soft technologies, there are low levels of productivity, there are no quality control systems.
Improvisation in the decision-making process, autocratic leadership, precarious communication systems	Accounting and Cost assessment systems are non-existent, concept of break-even point is not known.
<i>Administration is not scientific given the low levels of schooling and managerial training</i>	

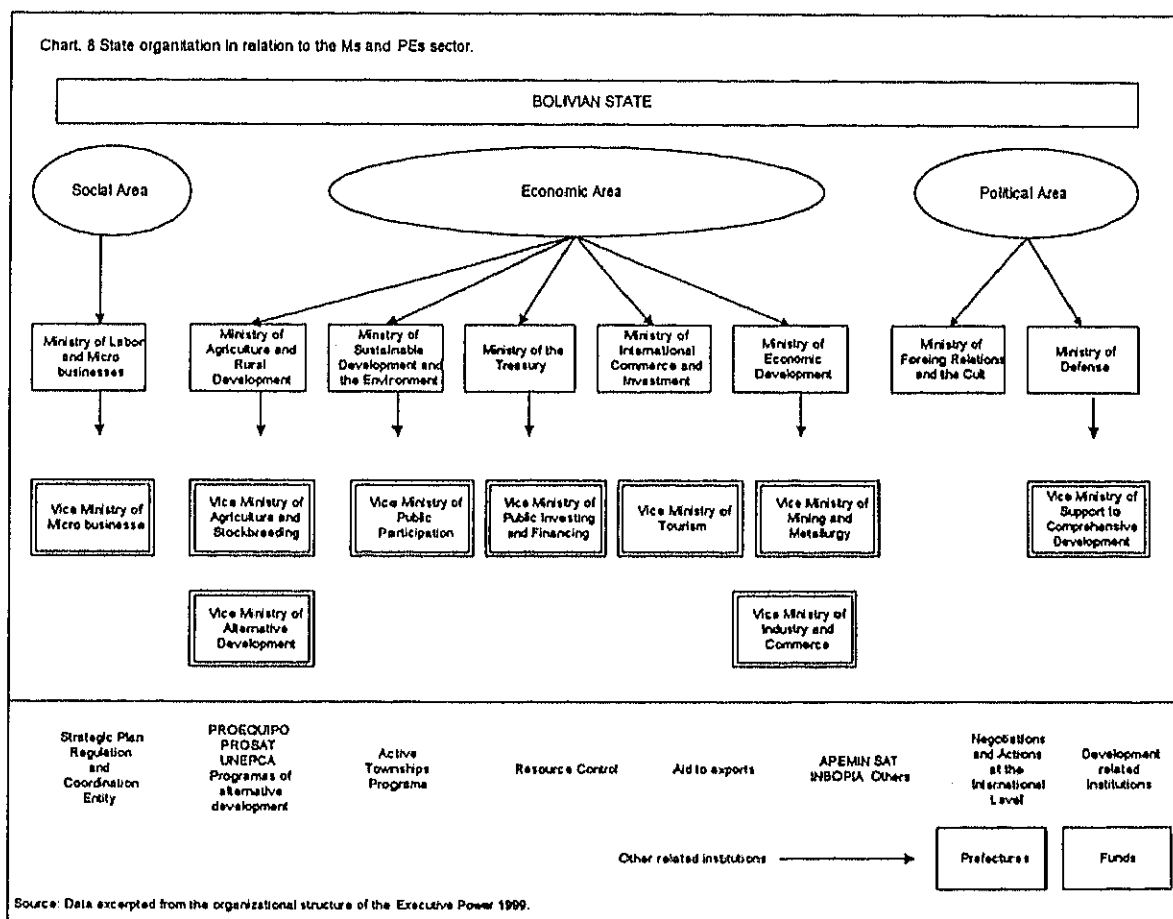
Source: Own data and design.

CHAPTER 4

ANALYSIS OF THE STATE'S ACTIONS IN RELATION TO THE Ms and PEs SECTOR

4.1 State Agencies and Their Relation with Ms and PEs.

In the Public Sector, several institutions have some form of work relation with Ms and PEs. Chart 8 shows this connection:



4.1.1 Ministry of Labor and Micro business.

The duties of this branch of the Executive Power, in relation to Micro businesses are:

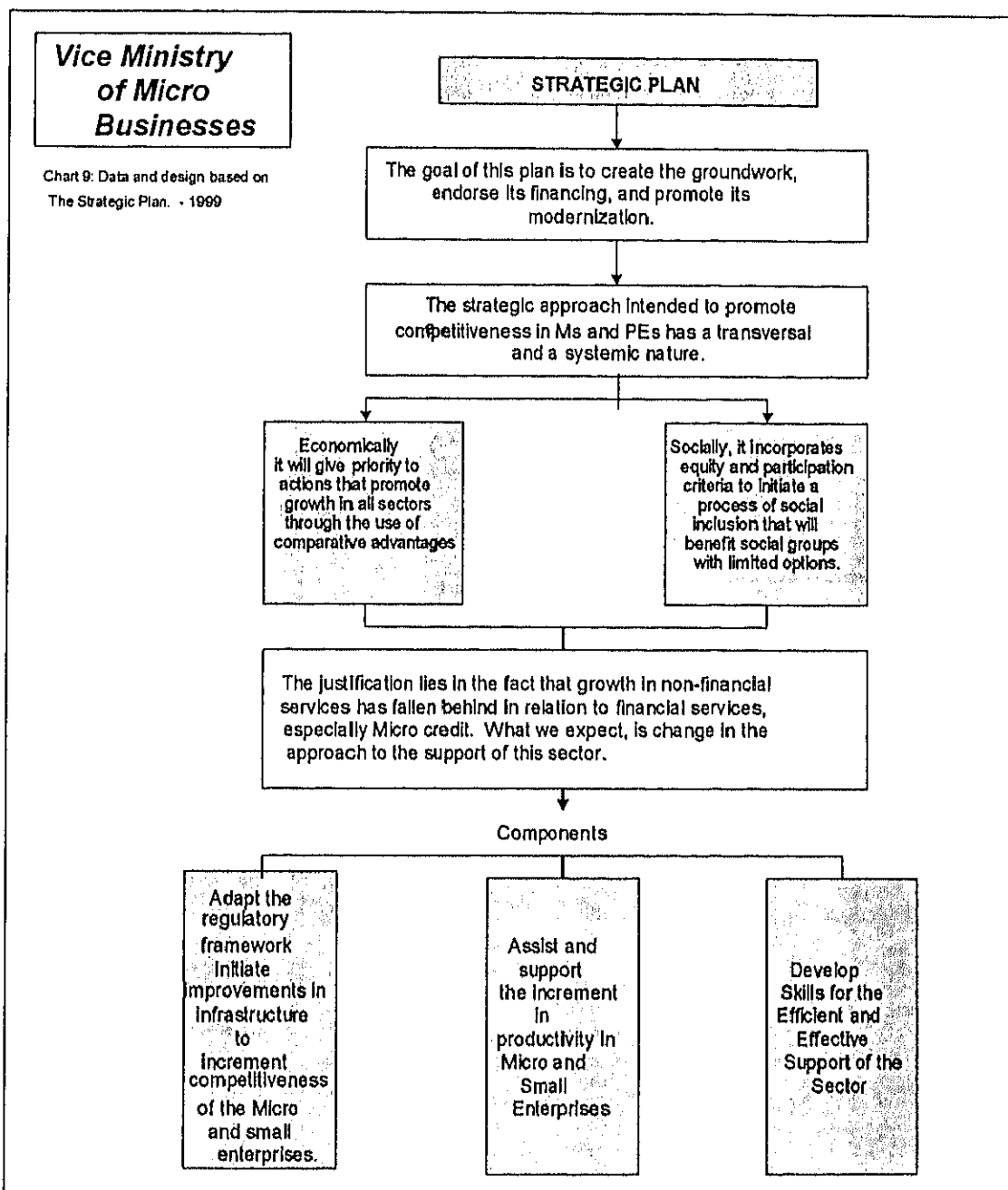
- *To formulate policy and to promote the expansion of Micro businesses*
- *To uphold and encourage technical and managerial training for Micro businesses.*
- *To advocate the expansion of micro credit, particularly in Government-sanctioned financial institutions not associated with banks.*

The Vice Ministry of Micro businesses is in charge to carry out these duties. It provides a mechanism of coordination for all the scattered Ms-related work that generate several Government divisions.

At present, the Vice ministry is working on a Strategic Plan of Development for The Small and Micro enterprise. The goal of this plan is to create the necessary groundwork for the expansion of this sector, endorse its financing, and promote its modernization.

The basis of this Plan is in the General Principles of the Operative Plan of Action of the Bolivian Government (1997-2000). The Principles are four pillars that support the Plan. The Opportunity Pillar, whose objective is to achieve economic growth with a fair income distribution. The Equity Pillar, whose aim is to raise the quality of life of the people, primarily of those that live in conditions of extreme poverty. The Institutional Pillar seeks to bring together the programs specifically oriented towards the advancement of the institutional base of the country; thus restoring credibility in State Institutions. The Dignity Pillar, whose purpose is to rid Bolivia of the illegal-drug trafficking and production in this administration (1997-2002).

The strategic approach intended to promote competitiveness and efficiency in Small and Micro businesses has a transversal and systemic in nature, given the fact that Ms and PEs operate across all sectors of the national economy. The main thrust of the Plan is to initiate the leap from underemployment to full employment, and to improve the work conditions, which are precarious, and dignify them. Thus, we will develop the capacity to compete in local, regional, and world markets, promoting strategic alliances between Ms and PEs, and modern enterprises. (See Chart 9).



4.1.2 Ministry of Agriculture and Rural Development.

This State organization works to expand and foster economic growth in the rural sector. The main activities related to this work are farming, cattle raising, and the industrialization of by products.

4.2.11 Vice Ministry of Agriculture and Rural Development

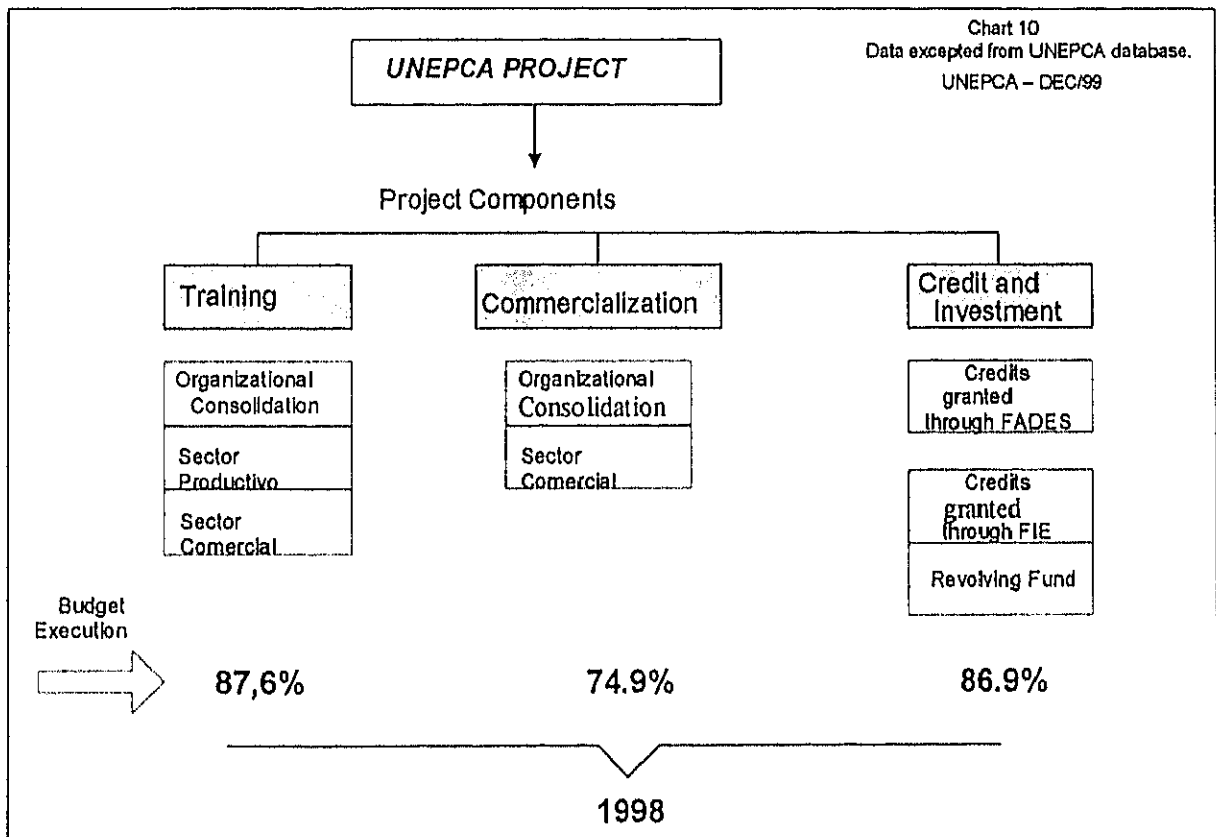
This Vice Ministry is in charge of overseeing a number of programs that another agency executes, the Farmers Developing Fund (FD). The programs are:

Camelidae^{*} Raisers Development Project- UNEPCA

Present Status

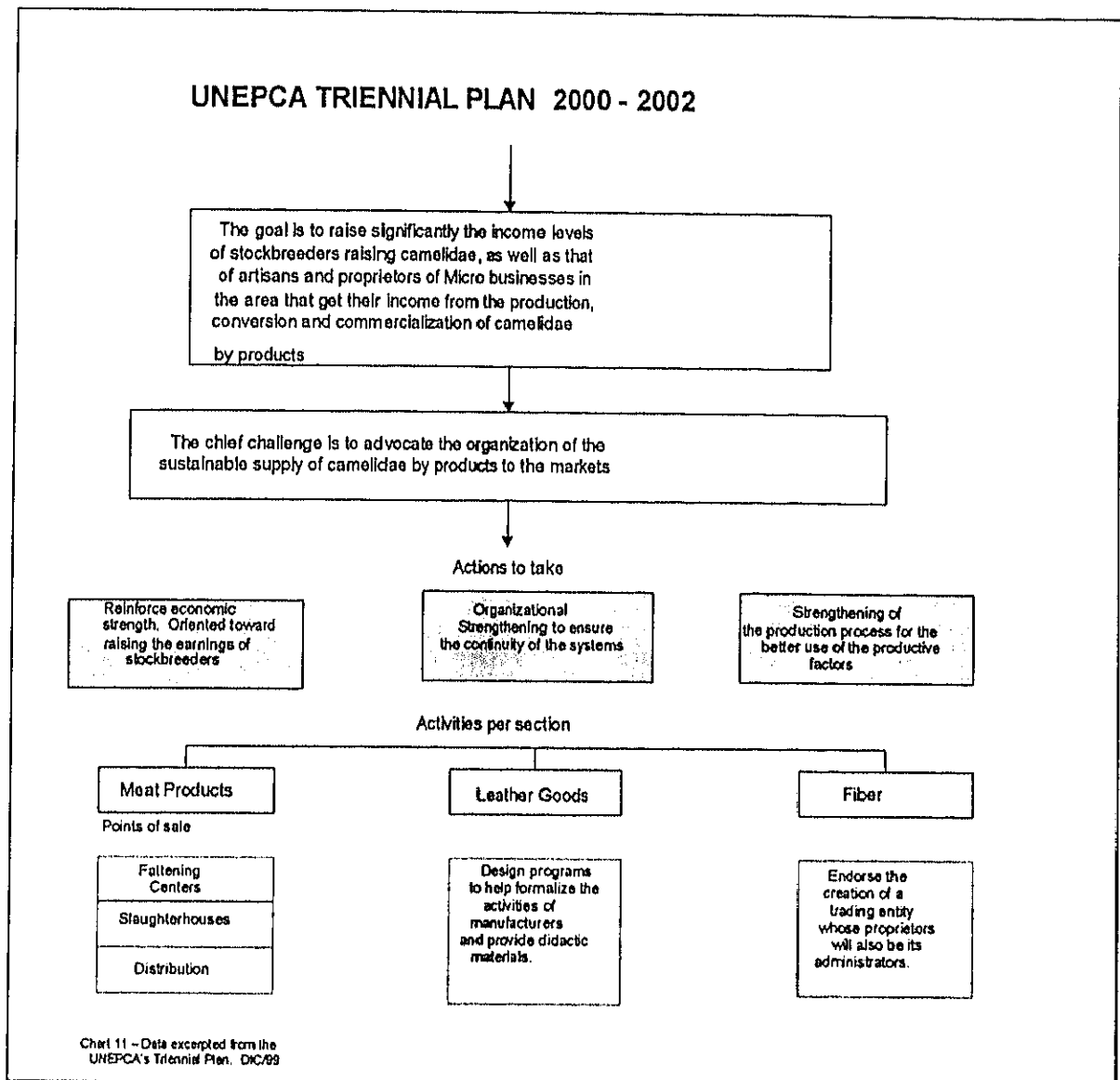
This program seeks to foster and expand camelidae raising and the industrialization of by products such as meat, fiber and skin. The program seeks to aid small farmers of the Bolivian Altiplano.

The chart below shows the project's design.



This program counts with a three-year plan for the years 2000 – 2002, which involves all the actions and goals set in the project for the next three years. Chart11 depicts a summary of this plan.

* Translator's note: South American ruminants such as the Llama, Alpaca and Vicuña.



PROSAT Program

The "Services of Technical Assistance for Small Producers in Rural Areas", counts with financing from International Fund for Agricultural Development (FIDA), and from the Farming Development Fund (FDC), that services rural areas capacitating production groups through technical training.

Chart 12
Source: Own data and design

PROSAT

It is the Project of Technical Assistance for Small Producers in Rural Areas

The goal of this program is to increase income and productivity in poverty-stricken rural communities. This, through a system of private technical assistance.

The area of influence encompasses the Departments of La Paz Cochabamba, Potosi, Tarija, Santa Cruz y Chuquisaca, in a sum total of 20 townships

Its duties include facilitating and financing, with the contribution of the beneficiaries, the access to and payment of the technical assistance services that the same beneficiaries request and designate in the fields of production and commercialization. This, applied to diverse agricultural and manufacturing sectors of rural areas.

4.1.2.1 Vice ministry of Alternative Development.

This Vice Ministry is in charge of the implementation of specific agricultural programs of product substitution and restructuring for the coca-growing regions of Chapare, in Cochabamba, and, now, for the Yungas in La Paz. The programs this entity administers receive financial backing mainly from the United States, but other countries may participate too.

All acquired funds finance programs of farming development, capacitating of producers, and setting up a small number of agribusiness, with the objective to help small producers to generate an export-worthy supply of goods.

4.1.3 Ministry of Sustainable Development and the Environment.

This Ministry handles perhaps some of the most interesting activities related to the promotion of small businesses, and these have to do with the designing and implementation of productive townships programs. These programs have their onset in the processes begun with public participation, which has as its foundation the empowerment of townships for the channeling of monetary resources and the promotion of economic activity in its area of influence.

4.1.3.1 Vice Ministry of Public Participation.

In charge of applying policies in relation to the insertion of the Public Participation model, this Vice Ministry works with municipalities throughout the country, but especially those of rural areas. At the present time, the Vice Ministry is working on the advancement of phase one of the program labeled: "Productive Townships." This project's goal is to stimulate the expansion of local industries, especially small ones.

The program is still in the stage of analysis and design; yet, it has completed a pilot study in eight communities. The study targeted 250 potential undertakings in the areas of Infrastructure, Technical Assistance, and Capacitating, as shown in Table 10.

Table 10. Type of project and category.

	Investment	Pre Investment	Total
Technical Assistance	22	17	39
Capacitating	24	4	28
Commercial	4	4	8
Promotion	5	8	13
Consensus	3	0	3
Credit	6	0	6
Study	2	20	22
Final Design Study	0	6	6
Market research	0	4	4
Study de Distribute seed	0	3	3
Industrialization	3	2	5
Infrastructure	32	17	49
Investigation	3	4	7
Organizational	4	10	14
Production	9	3	12
Services	5	9	14
Tourism	5	0	5
Others	6	6	12
Total	133	117	250

Source: Data provided by Public Participallon. - ENE/00.

These projects will have an impact in the Micro and Small Industries, generating multiple undertakings that could tackle everything from activating industrial activity, to market research, to other industry-related actions.

4.1.4 Ministry of the Treasury.

The job of this Ministry has to do with providing funds for both counterpart funds and for direct investment. The beneficiaries use those funds to carry out projects or implement programs for their communities or business sector.

4.1.4.1 Vice Ministry of Public Investment and External Financing.

This entity is not directly involved in aiding businesses and/or communities to carry out projects; rather, the Vice Ministry of Public Investment is in charge of the control and allocation of counterpart funds. In addition, it administers financial resources, coming from countries other than the U.S., to execute other programs and projects that benefit the sector.

4.1.5 Ministry of International Commerce and Investment.

While this ministry does not carry out specific tasks, its functions include assisting and sustaining export-oriented ventures. These, given the nature of the productive sectors in the Bolivian economy, necessarily connect to the work of Ms and PEs, always a potential source for exports. Two main components of this Ministry could have a direct relation with Micro and Small enterprises.

CENTER for PROMOTION BOLIVIA - CPROBOL

The Center for Promotion Bolivia (CPROBOL) is a non-public institution, that, in its conception, is an institutionalized space of operations for the strategic alliance State-Private Enterprise in the area of promotion of international commerce.

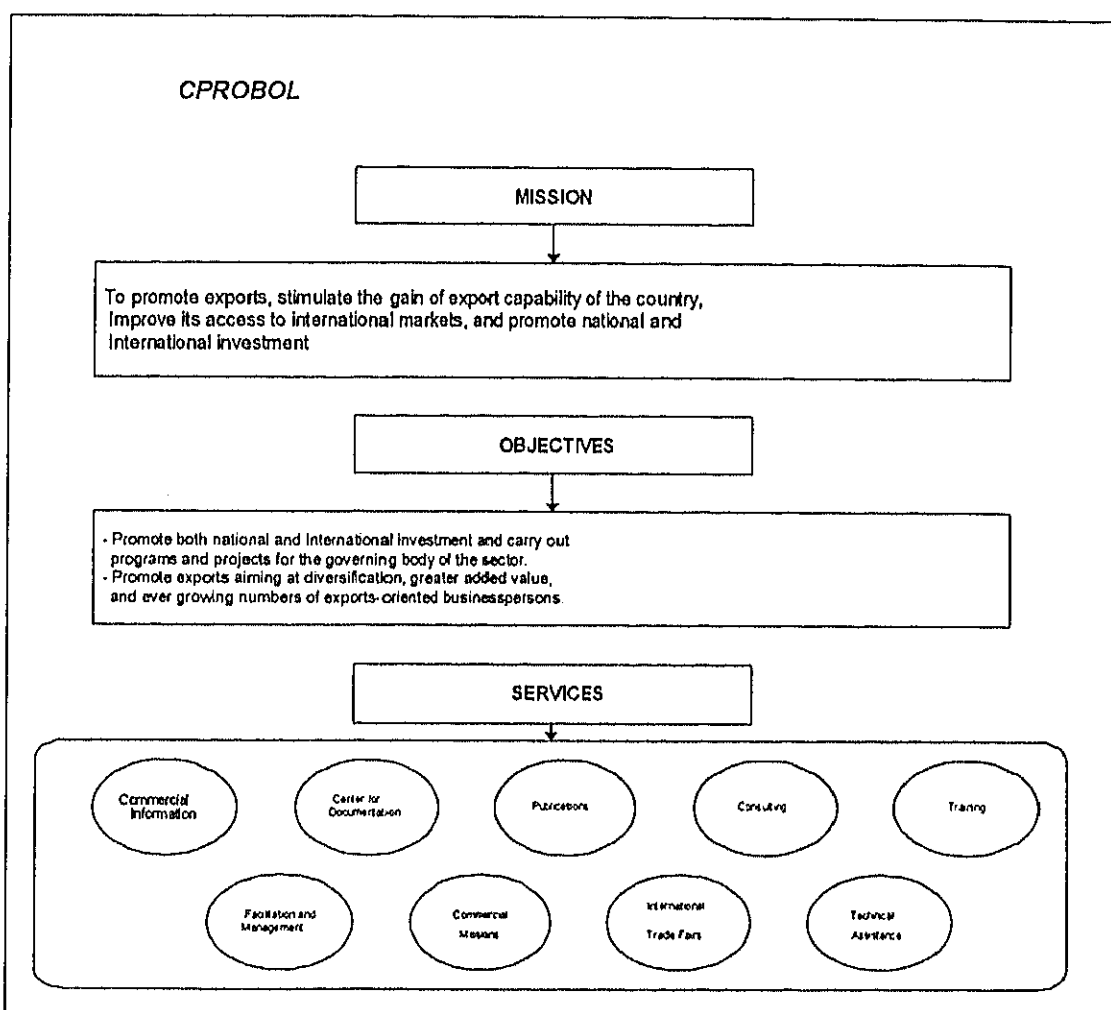


Chart 13. Source: Data excerpted from CPROBOL database - ENE/00.

4.1.6 Ministry of Economic Development.

4.1.6.1 Vice Ministry of Mining and Metallurgy.

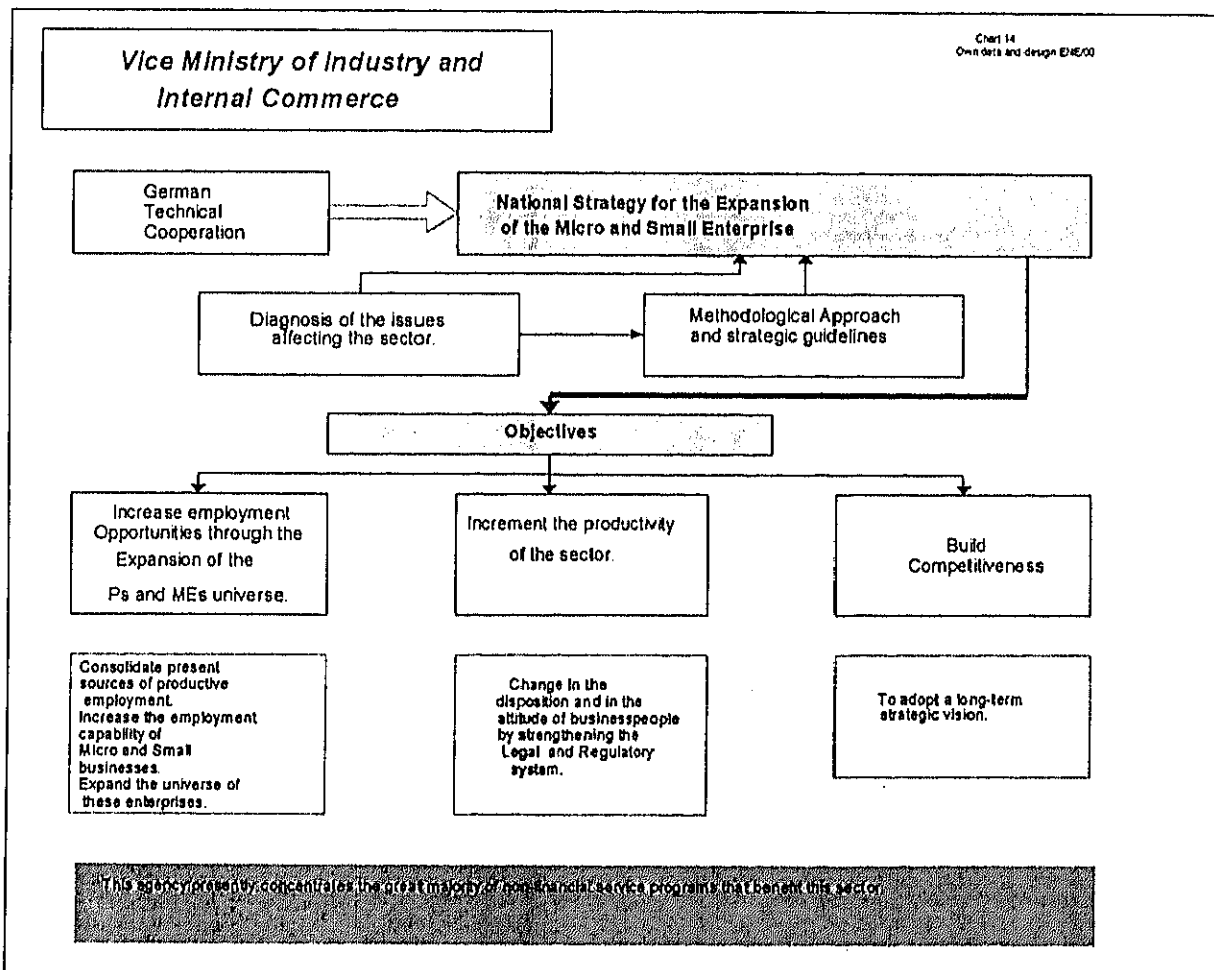
Carry out its activities in the mining sector, its main duties are to create mining cooperatives and other small enterprises whose personnel work the mines using homemade tools and supplies.

With that in mind, the Ministry elaborated the program: "Support to the small mining venture" (APEMIN), which attempts to implement innovative ideas designed to improve the quality of life of small-time miners. These people can barely make a living exploiting old mineral sites with ancient techniques.

The entire project benefits from a European Community contribution of approximately five million US dollars, and a local counterpart of two million one hundred and ninety thousand US dollars. The distribution of these funds will respond to work schedules and progress in technical assistance, auditing, studies, equipment supply, infrastructure, credit funds, and communal education and development.

4.1.6.2 Vice Ministry of Industry and Commerce.

The Vice Ministry of Industry and Interior Commerce has a direct relation with non-public institutions identified with the Microbusiness sector. Such institutions are COBOLCA (Bolivian Committee on Coffee), SAT (Technical Assistance Service), and INBOPIA (Bolivian Institute of Small Industry and Handicrafts). Programs with foreign aid such as PROFOM (Small Industry and Handicrafts promotion Project), and PROM MI (Micro Industry Support Program), also work with the Ministry.

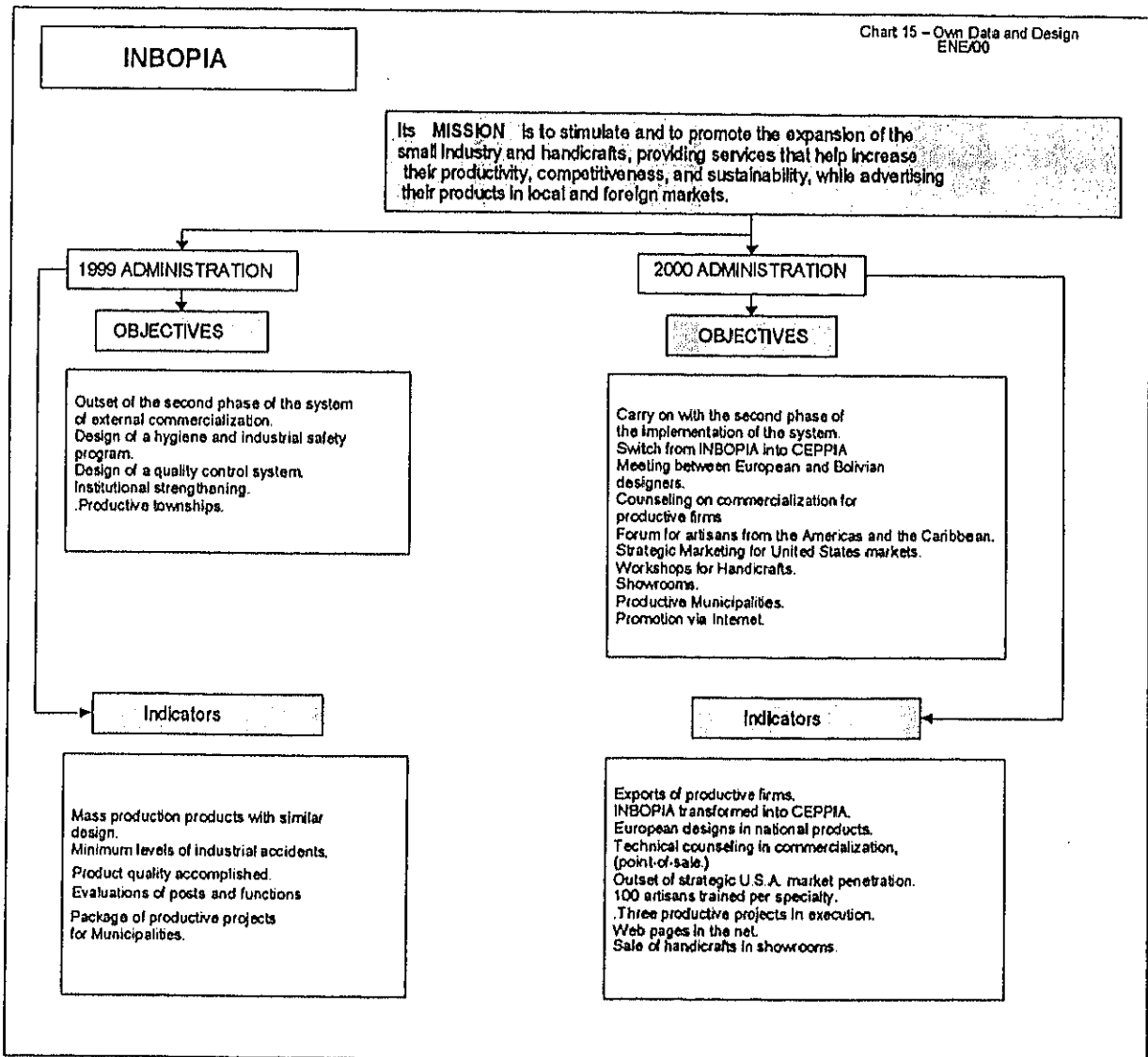


The Government's initiative to design a strategy of expansion for Ps and MEs, aims to eliminate, gradually, the adverse effects of the absence of said strategy, an absence that, today, is the main source of stagnation for this sector.

Bolivian Institute of Small Industry and Handicrafts

Founded on the 28 of August 1974, this institute is a non-public institution in charge of assisting the sector by executing the tasks of promotion, advancement, technical assistance, credit advising, and conservation of the artistic and cultural patrimony.

Chart 15 shows the operative framework of this Institute, as well as the scope of its plans for the coming years.



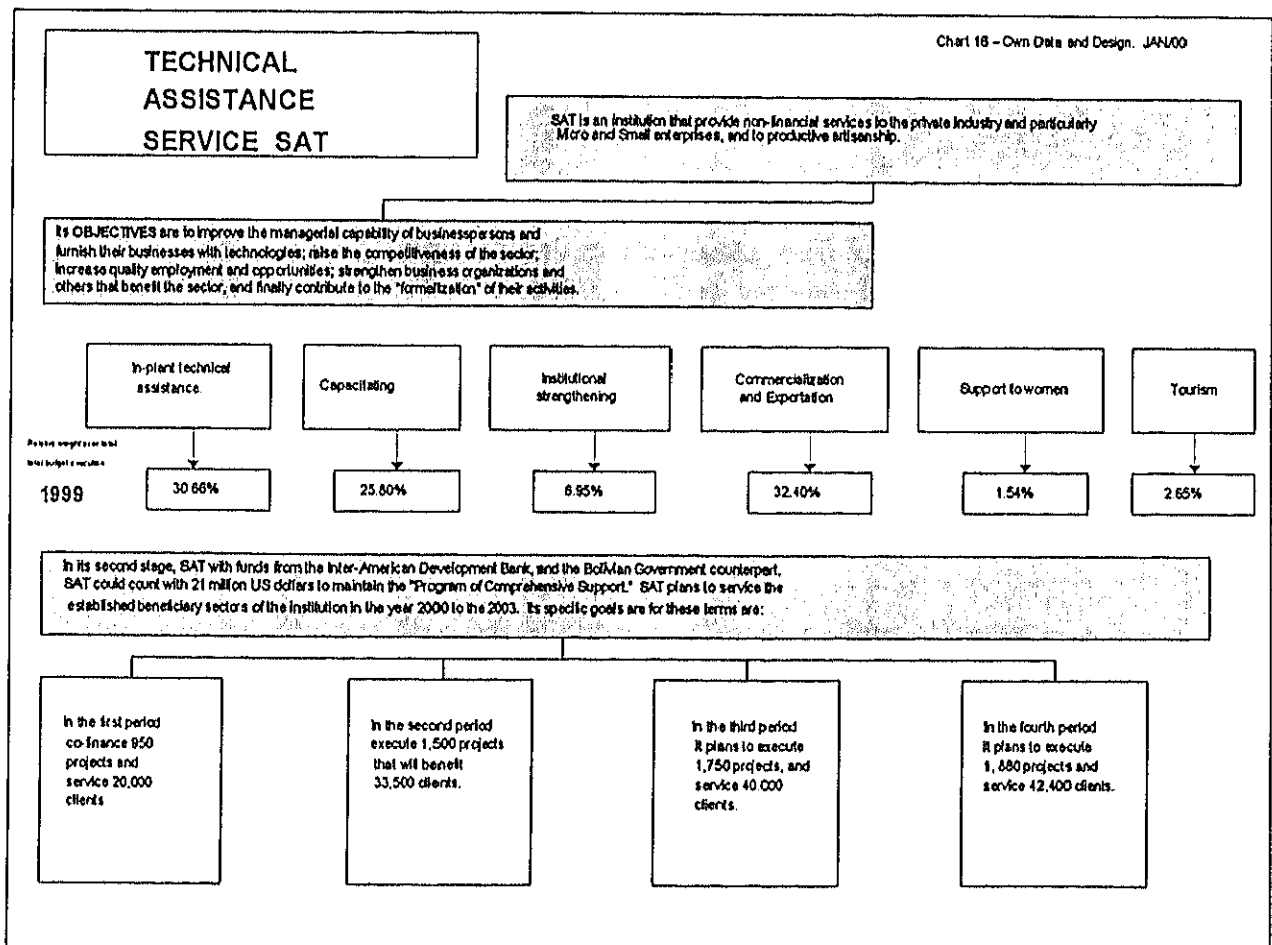
Technical Assistance Service (SAT)

SAT is an institution that provides non-financial services to the private sector, particularly to the small and micro enterprises, and to productive artisanship. Its general purpose is to contribute to the growth of the private Manufacturing Industry, and to the expansion of host-country tourism.

Its specific objectives are:

- Improve managerial skills.
- Furnish businesses with new technologies.
- Increase the competitiveness of the sector.
- Raise the quality of employment.
- Strengthen business organizations and sector assistance.
- Contribute to the "formalization" (legitimization) of the operations in the sector.

The SAT activities will receive funds from the Inter American Development Bank (IDB) during the next four terms.



4.1.6.3 Vice Ministry of Tourism

A national tourism strategy is in the evaluation stage. At its base, this strategy has the subsequent elements:

- Generation of a risk fund for private initiative.
- Refurbish the physical structure of traditional tourist centers.
- Develop new potential areas of interest for tourists.
- Train employees of private companies of the trade, and strengthen the managerial skills of those organizations.

The scope of this program and its alternatives have a direct relation with the availability and implementation of non-financial services designed for a sector that characteristically has small enterprises.

4.1.6.4 Other Related Institutions.

In addition to the operations mentioned above, the Ministry of Industry and Commerce works together with governments of foreign countries and/or non-profit organizations in other projects that also benefit the Small and Micro industry. An example of these types of projects is the Project of Assistance and Promotion of Small Private Initiatives in the Urban and Outlying district areas (PROMMI). This project is part of an agreement between Bolivia and the European Community, 1994.

In general terms, the main objective of this project is to improve the administrative skills of small, private undertakings to reactivate their operations and boost the income of the beneficiaries. These are artisans, women, former mine workers, and the under employed of the cities of El Alto, La Paz, Oruro, Sucre, and Tarija. The project offers these benefits: Technical assistance, training, and credit allowance. The life of this project will be in force until June of 2000. During its life span the project distributed ten million US dollars.

4.1.7 Ministry of Defense.

In this Ministry, there is an entity in charge of implementing activities in relation to the comprehensive development project. These actions complement the presence and operations of the Armed Forces in Bolivia, generating tangible models of support to the population.

4.1.7.1 Vice Ministry of Support to Comprehensive Development.

The **MISSION** of the VIMADI is the drafting of policy and strategies of support to comprehensive development along with the Armed Forces. This agency centers its efforts in environmental preservation and border reinforcement, as well as sustainable and effective participation in achieving Government's objectives.

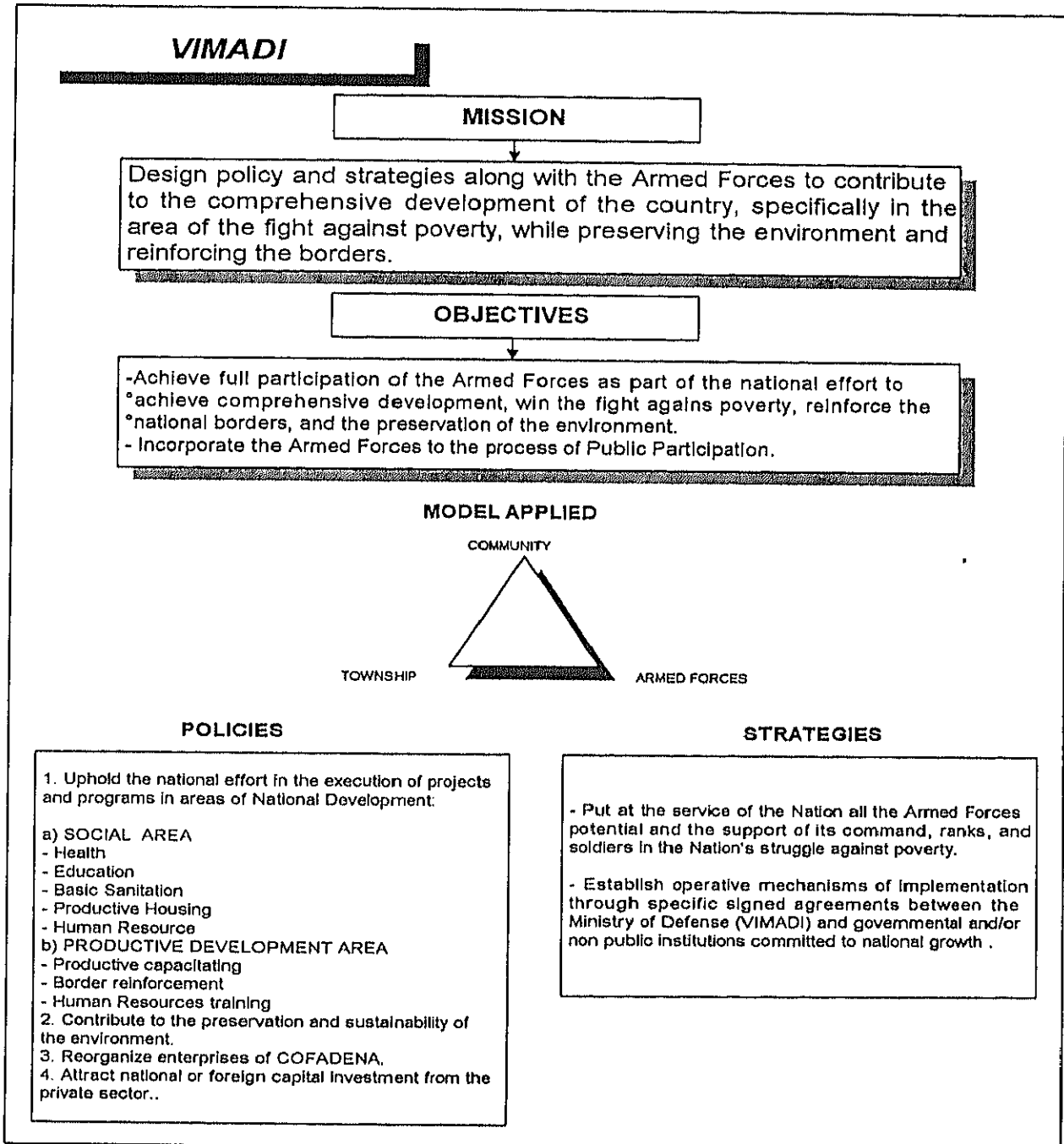


Chart 17. Source: Data excerpted from VIMADI database. VIMADI. FEB/00.

4.1.8 Ministry of Foreign Relations and the Cult.

The role of this Ministry is limited to carrying out the provisions set forth in the protocols established upon the signing of treaties and agreements between nations and/or institutions that choose to help our country.

4.1.9 Investing Funds.

Investing Funds channel financial resources of international cooperation and local counterpart, towards specific projects designed for improving the quality of life of large sections of the population.

The National Fund for Regional Development (FNDR) admitted not having, at the moment, any program specifically designed for supporting the activities of Ms and PEs.

As of the work of the Farming Developing Fund, we have already accounted for its activities as part of those of the Ministry of Agriculture and Rural Development.

Finally, there is the Social Investment Fund (FIS) institution that in the past worked on several projects for Micro enterprises, mainly in the Department of Cochabamba. Today, as shown in Table 11, the FIS has executed and is implementing a number of projects for this sector.

Table 11 - FIS Non-Financial Services Projects

Project Type	
Women Capacitating	31
Productive Capacitating	81
Total	112

Project Status	
Completed	90
In Execution	21
Not Executed	1
Total	112

Source: Data excerpted from the FIS database. FIS JAN/00

4.1.10 Other Institutions Connected with the Sector.

4.1.10.1 Prefecture of La Paz.

The Prefecture of the Department of La Paz has designed, for the benefit of the Small and Micro enterprises, Departmental Policy and Objectives that today constitute a Departmental Strategy for Comprehensive Development of the sector.

The principal means and mechanism of execution of the strategy is the Departmental Program for the Comprehensive Development of Small and Micro business (**PRODIPYME**), which is still in the stage of design.

CHAPTER 5

STATE ACTIONS AND FUTURE PERSPECTIVES

5.1 Exposition of the Current Situation.

The social and economic crisis experienced in Bolivia throughout the past decade, and the application of severe corrective measures, have had adverse impacts on the economy. The level of economic activity, employment, income, and the quality of life of large segments in the urban and rural population declined. Issues such as unemployment, de-proletarianism, micro businesses, and informality gained full force since 1985.

Between 1976 and 1989, but particularly since 1985, with the execution of the policies of structural economic corrections, the number of micro business units grew to the point of concentrating the largest share of the urban population economically active.

5.2 Absence of policy and budget funds for Micro enterprises.

The State has neither done an adequate evaluation of the potential, nor of the shortcomings of Ms and PEs. It does not take them as areas of interest for policymaking, or, even less, for their inclusion in strategic plans of medium and long-term development.

In latter years and as part of what the present Government calls the fight against poverty, the issue of the Ms and PEs has made it into the State's agenda of probable undertakings. The creation of the Vice Ministry of Micro businesses, is a token of the will of the Government to take a definite position on this issue.

At any rate, the ever-present "good" intentions of the successive administrations have yet to materialize in public policies and funding to support the rational growth of this economic sector.

As a result, and despite some attempts to establish mechanisms of coordination among the many public institutions that work with Ms and PEs, there is no work coordination in a framework of a vision of concerted development.

The main public undertakings in benefit of the sector of the Ms and PEs, at least in the field of non-financial services, have been the work of the Technical Assistance Service. This public institution had in years past a strong backing from the World Bank; today, it depends on the support of the Inter-American Bank of Development.

Beyond this program, there is not much to say of the State actions in favor of the Ms and PEs.

5.3 Creation of the Committee of Coordination in the Area of Micro financing and Micro enterprises.

The Supreme Decree N°25338, of March 29, 1999, creates the Committee of Coordination in the Area of Micro financing and Micro enterprises. The specific end of this Committee is to concert policy relative to micro finances and their relation to the administration of Micro businesses. At the same time, the Committee may recommend lines of action and strategies consistent with governmental, institutional and sector objectives.

Representatives of normative institutions from the micro financing sector and from the sector of business development (non-financial services) are part of the Committee. At the same time, Banking and non-banking entities, International Cooperation Institutions, and others connected to small business are also present in the Committee.

The organization of this Committee is perhaps the most important action of the Government. The interaction of local institutions that work for the sector, and those of the International Cooperation, will allow in the future to have a concerted vision and long-term objectives of growth. Moreover, the consensus will allow defining strategic guidelines, mechanisms, and resources to get underway many projects to forward the growth of Ms and PEs.

The Committee has resolved to write up a strategic plan of expansion for the sector. The Committee plans to submit the plan during the next meeting of the Paris Club, in June of this year.

5.3 Actions the State is undertaking.

Through the analysis of State-sanctioned documentation relative to the operations of Ms and PEs, technicians have come out with the framework of the "Ms and PEs System." The purpose of that exercise is to display and understand the relations among the social and institutional actors that make up the framework. This definition is the basis to ensure unity and coherence in the view of the actors, their roles, and functions.

Chart 18 shows the Ms and PEs System.

STRUCTURE OF THE SYSTEM Ms and PEs

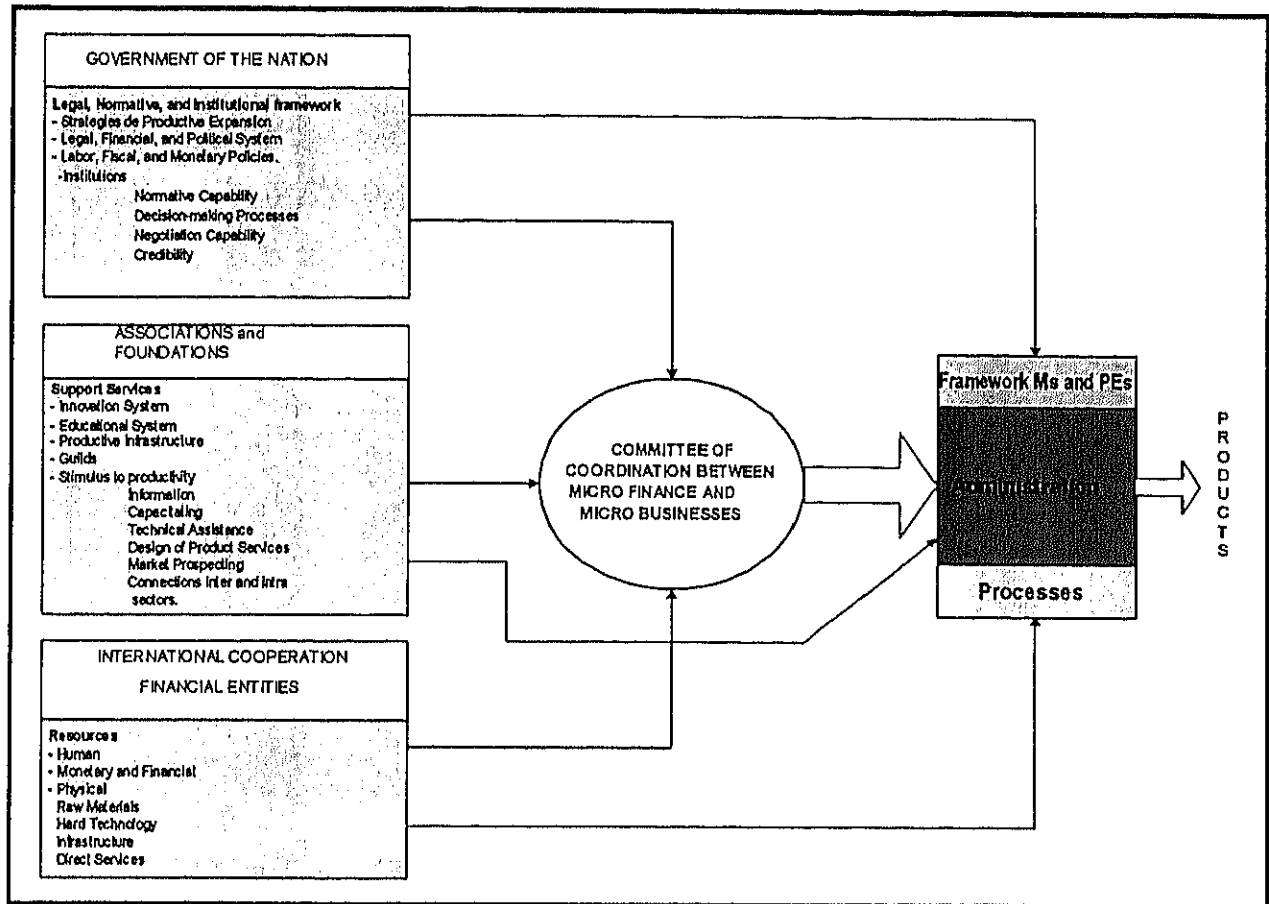


Chart 18. System Ms and PES – Source: VICI - 1999.

The component Government of the Nation works through the Legal, Normative, and Institutional frameworks. It includes primarily organizations of the Public Sector and the Laws and provisions that originate in them to control the creation, operation and the termination of enterprises. In general terms, it defines the environment in which the productive units must operate. It defines the "rules of the game" as well as the "setting" that promotes or inhibits their field of action. In the latter context, the setting also reflects the economic and political situation of the country inasmuch as it mirrors its opportunities and weaknesses.¹⁴

¹⁴ Source: "Methodological Approach and Strategic Guidelines" – VICI

STRUCTURE OF THE EXECUTIVE POWER IN RELATION WITH THE Ms and PEs SECTOR

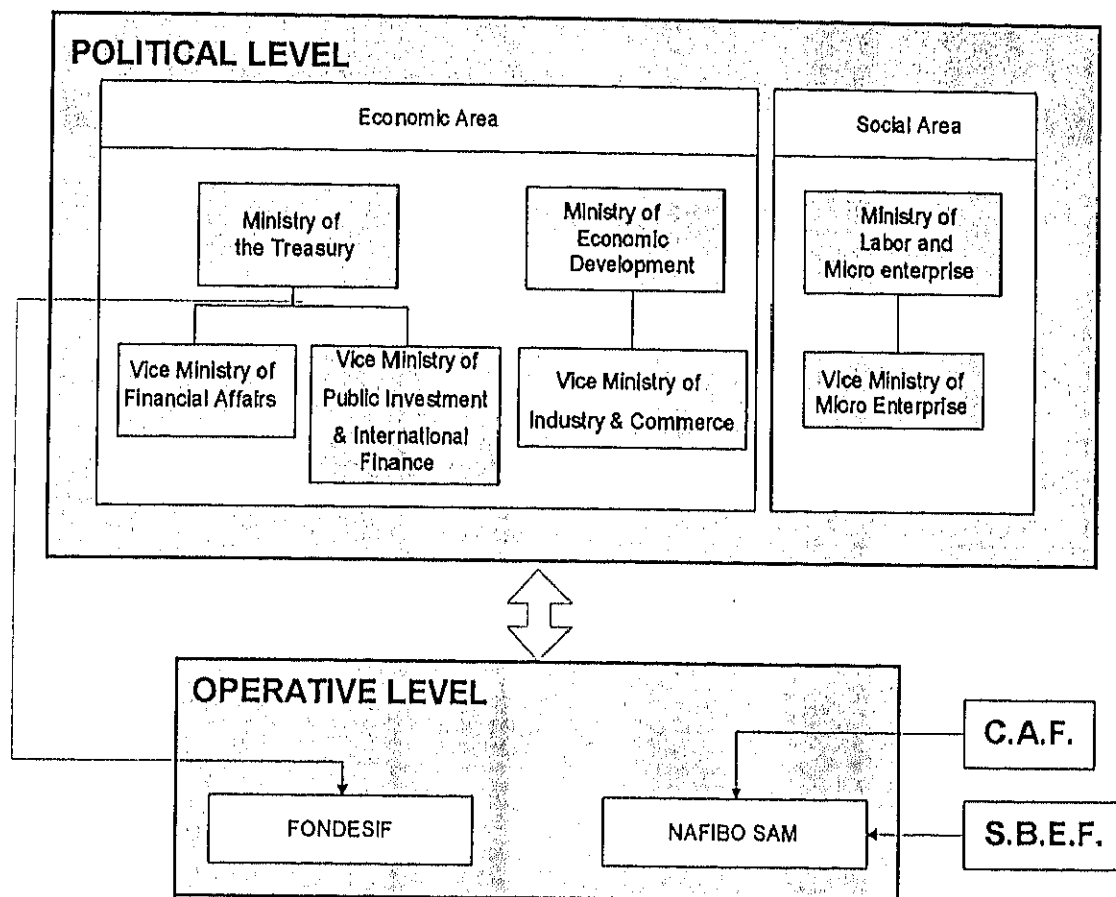


Chart 19. Structure of the Executive Power In Relation with the Ms and PEs Sector. Source: VICI - 1999

The chart above shows the framework the Executive Power wants to put into effect with the goal of coordinating efforts and actions in relation to Ms and PEs support. The Ministries of the Economic and Social areas lead this undertaking in both carrying out the required norms, and in planning and executing programs of support to the sector in coordination with private local entities and with international institutions.

In the area of Micro financing, the Government establishes a normative level, residing in the Ministries, which the Vice Ministries implement. On the operative level, two institutions, the FONDESIF and the NAFIBO take charge of the execution of the programs. NAFIBO operates with the backing of the Andean Development Corporation, and under the supervision of the Superintendence of Banks.

Chart 20 describes the functions of each of the institutions that are part of the Political Level.

Executive Power Institutions Connected with Ms and PEs

INSTITUTION	FUNCTIONS	OBJECTIVE
Vice Ministry of Financial Affairs	<p>Propose norms for the administration of Micro finance and Micro credit.</p> <p>Promote policymaking to establish programs and mechanisms of financing coordinating their implementation with the NAFIBOSAM and the FONDESIF.</p>	
Vice Ministry of Public Investment And International Finance	<p>Establish a Normative base.</p>	
Vice Ministry of Industry and Commerce	<p>Promote and Endorse operations of the Ms and PEs.</p>	
Vice Ministry of Micro enterprises	<p>Support research and studies to find new technologies that could generate higher levels of productivity and an increment in added value.</p> <p>Coordinate with VICI and VCE, the creation of policies and actions that will activate and strengthen relations with either national or international markets.</p> <p>Coordinate with the VICI the inclusion of micro and small business persons to help with the process of formulation and decision making in policymaking, and other organizations of Ms & PEs.</p> <p>Uphold, at the prefecture and municipalities level, all programs and actions aimed to strengthen guilds and other organizations of Ms & PEs.</p> <p>Recommend policies and rules of incentive and support to growth and expansion of Ms & PEs in rural areas.</p> <p>Suggest norms and regulations for the legal operation and growth of Ms & PEs.</p> <p>Endorse programs that strive to setting up autonomous Ms & PEs with people of original nations, and the association with townships and other entities.</p>	<p>It will outline policies of capacitating and assistance to Micro and Small business in the areas of organization, administration, production and commercialization. The services will be provided on demand, and executed with the concurrence of private consultants.</p>

Chart 20. Source: S.D.N°25338.

With the goal of accomplishing its objectives the Vice Ministry of Micro enterprises has designed and strategic plan for the expansion of the Small and Micro business that follow these guidelines:

- In the short term, we hope to provide clear signals and effective incentives for the participation of Ms and PEs as active and revitalizing agents of the economy.
- In the medium term, the plan expects to create the necessary conditions to expedite the raise in competitiveness and the increment in productivity and efficiency, to make at last the leap to the medium and large enterprise.

Chart 21 lists the agencies of the Executive Power that hold a structural relation with the expansion and promotion of the Ms and PEs, and that are on the Operative level.

Operative Entities in the Sector of Micro enterprises and Micro finance

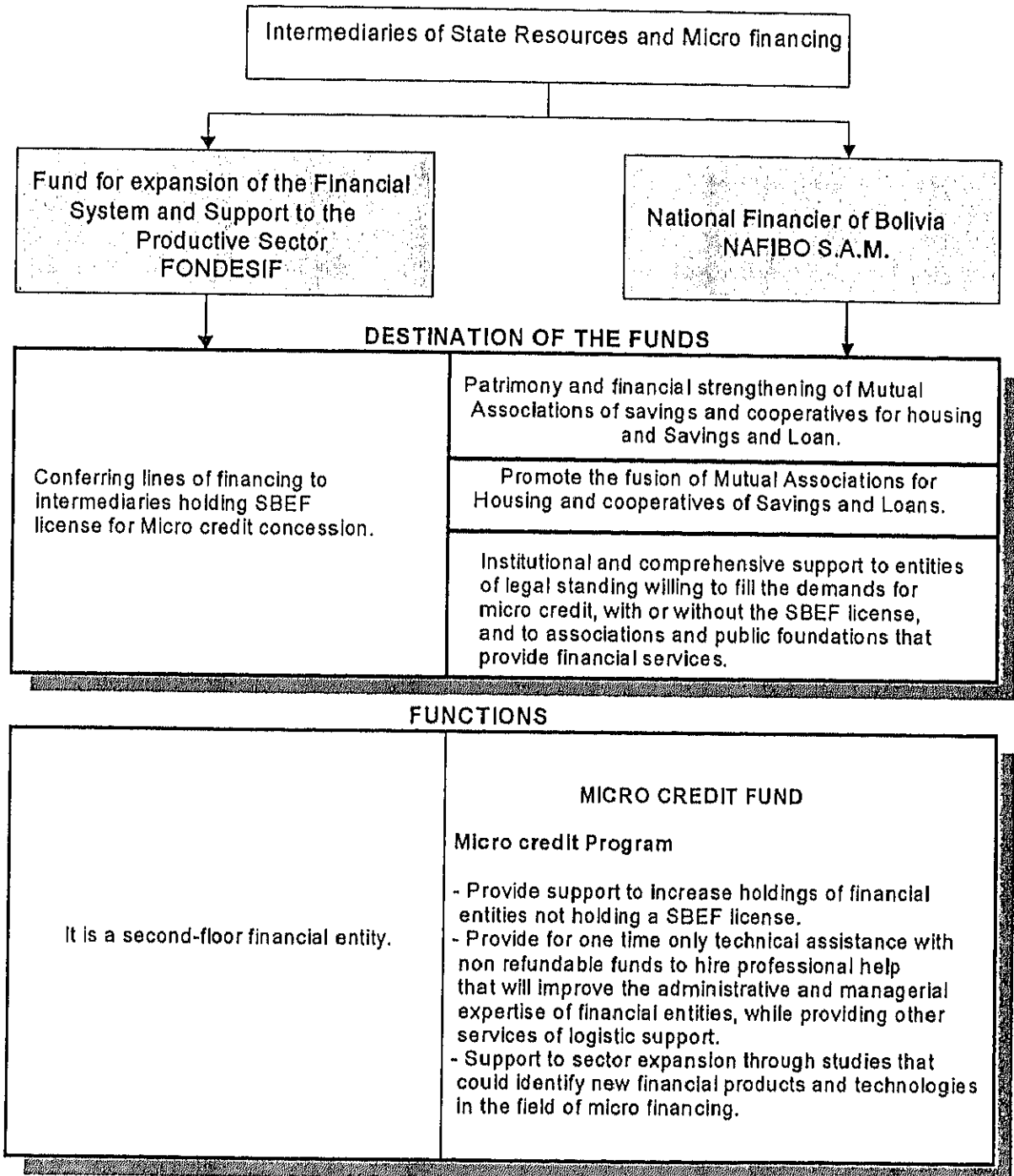


Chart 21 – Source: D.S. 25338.

The financial resources originate from loans, donations, and other State funds. All the information presented before expounds in detail what the Bolivian State is doing to build a solid institution of fostering and support of the expansion of the Micro enterprises and Small businesses in the country.

5.4 Resources Pledged by the State for the Expansion of the Sector.

The institutions that play the most important role in the sector are the Vice Ministry of Micro enterprise, and the Vice Ministry of Industry and Internal Commerce.

The Vice Ministry of Micro enterprises is in charge of formulate a normative framework to promote the expansion of Ms and PEs. Its operating budget for the 2000 term is of 1,051,221 US\$¹⁵.

The Vice Ministry of Industry and Internal Commerce takes the most concrete an direct action in the area and has an operating budget of 1,280,312 \$US¹⁶. One of the subsidiary units of the Vice Ministry is the Service of Technical Assistance, which, for its current work plan (July 1999 – June 2003), has scheduled several non-financial operations for a secured amount of 21,679,000 US dollars.¹⁷ At the same time, the Service has pending the implementation of the Integrate System of Managerial Information (SIDIG) at a cost of 31,370 US dollars.

5.5 Sources of External Finance.

One of the main sources of international funding in Bolivia is the Inter-American Bank of Development. The BID has pledged several million US dollars to fund projects of promotion for Ms and PEs in the year 2000. Table 12 lists these amounts.

Table 12. BID Credit funds - In US\$

INSTITUTION	AMOUNT		
	Expenditures Without Project Investment	Investment Projects	Total
Ministry of Agriculture and Rural Developing	-	1.285.175	1.285.175
Ministry of Labor and Micro enterprise	931.198	-	931.198
Technical Asslstance Service	-	2.558.236	2.558.236
Social Investment Fund	2.003.732	2.558	2.006.291
National Fund of Regional Development	9.594.175	-	9.594.175
Farming Developing Fund	417.193	-	417.193
TOTAL	12.946.298	3.845.970	16.792.268

Source: General Budget of the Nation 2000

¹⁵ Source: Ministry of the Treasury

¹⁶ Source: Ministry of the Treasury

¹⁷ Source: SAT

The funds pledged to the Service of Technical Assistance will finance the growth of non-financial services. All resources granted to the Ministry of Micro enterprise will confirm this institution as the main public agency of coordination and generation of policy for the sector.

It is estimated that part of the resources of the Ministry of Agriculture and Other funds, will benefit directly or indirectly undertakings related to the growth of the small agricultural industry and that of farming units.

Table 13. IDA Credit. In \$US

INSTITUTION	AMOUNT		
	Non-project Investment Expenditures	Investment Projects	Total
Ministry of Agriculture and Rural Development	-	424.617	424.617
Social Investment Fund	-	829.089	829.089
Farming Developing Fund	8.621.888	-	8.621.888
TOTAL	8.621.888	1.253.706	9.875.594

Source: The Nation's General Budget 2000

In relation to the funds pledged to the IDA, the majority of those resources will fund the promotion and growth of operations in the agricultural sector. The farming units, which belong to this sector, will benefit.

Table 14. Micro credit Agreements. In \$US

AGENCY	PROJECT TITLE	DATE OF CONTRACT	AMOUNT
BID	Support to the Small and Micro enterprise	13/11/98	35.000.000
	Institutional Strengthening of Cooperatives of Rural Credit	8/12/93	800.000
	Support to the Center of Promotion of Economic Initiatives	12/06/95	180.000
	Support to FADES (NGO)	26/03/98	100.000
	Support Cooperative Jesus Nazarena	14/08/98	100.000
	Total		
COSUDE	Program of Popular Micro credit (Phase II)	1/11/95	1.225.000
ESP	Programa of Micro credit in Bolivia	25/10/99	12.000.000
GTZ	Financial Rural System	1/04/98	2.857.000
HOL	IDEPRO credit	1/02/95	2.821.000
KFW	Financing the Micro and Small Enterprise	31/01/99	5.479.000
USAID	Program of Micro finance	29/09/95	5.661.000
TOTAL			66.223.000

Source: Ministry of the Treasury, Vice Ministry of Public Investment and International Financing

Date: 02/02/2000

The Inter American Bank of Development has pledged sum of 35 million US dollars for Micro credit growth. This important amount makes the BID the most important financial institution for the sector.

5.6 Future Prospective

A fair assessment of the investigation shows that the prospects are promising. The Bolivian State has made it clear that it will design and carry out public policy in favor of the Ms and PEs, in joint action with its representatives: businesspeople, institutions that support small businesses, and even the International Cooperation.

There is a greater awareness that the shortcomings of Ms and PEs are not only the result of a flawed administration in micro financing. Today we know that our financial efforts must combine non-financial services in order to overcome the structural limitations of the sector.

The Bolivian State, international organizations, NGOs, and other actors of this complex issue are taking resolute actions in relation to the need of coordinating efforts to create a more propitious environment for the Ms and PEs. These actions will ensure the effective use of future resources in benefit of this sector.

CHAPTER 6

MICRO FINANCES IN BOLIVIA

6.1 Historical Perspective.

Credit, especially credit intended for rural areas, was exclusively a State initiative ever since the foundation of the Agricultural Bank in the 40s. It is in the 60s when micro credit began taking shape in urban and rural areas of this country with, first, cooperatives of savings and loan, and later the Mutual Associations for savings and housing loans.

In those years, the prevailing alternative source of financing was the unofficial or informal financial market. The cost of this type of financing was clearly high above those of the formal or Bank financing, but access to credit in banks was all but impossible for small businesses. Banks did not consider small loans profitable and the required guarantees for the loan were unrealistic.

Below we list some of the reasons for the failure of this early model:

- Financial institutions transferred large amounts of money to strong political or economic groups that had little regard for loan repayment. In the end, banks had to write off the funds as bad loans, or the money lost its value due to currency devaluation and/or the inflationary process.
- Banks and other financial entities were not able to remain solid and did not have the continuity to perform adequately.
- The quality of the financial services was dubious and the costs for small borrowers were high.
- Credit policies and savings incentives were non-existent or disregarded as non-important.

6.2 Revolving funds in rural areas

Non Governmental Organizations (NGOs) were strong advocates of the use of revolving funds in the eighties. Conceived as credit programs designed for specific groups, revolving funds were always present in all NGOs' programs.

The main features of revolving funds were:

- Subsidized interest rates.
- Institutions administering these funds lacked expertise in the field of revolving credit.

- There was no clear definition as of the nature and functions of NGOs. They operated as organizations for development and as financial concerns.
- The few available resources of the funds would not allow the programs to have a potential for expansion.
- The administration of these resources was costly.
- Lack of a clear separation of functions between financial advisors and development counselors on one side, and procedures of credit assignment and credit recovery on the other, was a source of confusion for the beneficiaries.
- Default rates were high and the percentage of loan payment very low.

Despite the efforts of NGOs and other organizations, access to credit for rural dwellers did not become easier. Credit for rural undertakings was not timely nor was it convenient. Moreover, the system was unable to find or create, in this stage, solid and reliable intermediaries.

6.3 The growth of the sector

Bolivia is a Latin American example of successful implementation and growth of micro financing. As table 15 shows, the year 1986, when the first serious attempts to implement micro credit began marks the beginning of this explosive growth.

Table 15
GROWTH INDICATORS (MICRO FINANCING SECTOR)

ITEM	1987	1999
Clients	6,000	428,102
Gross Portfolio (\$us)	2,000,000	288,674,120
Number of rural and urban agencies	6	243

Source: Data excerpted from FINRURAL database. June 1999.

The main factors that had a positive impact in the growth of the sector are:

- Strong demand for credit from urban micro businesses and farm producers.
- Formulation of applicable credit technologies suited to the nature of the demand.

6.4 Effects of the micro credit programs.

We analyze below, the main effects of micro credit on urban and rural areas, and the financial implications for the credit institutions:

Portfolio Status

The growth of micro credit in Bolivia has been greater in urban areas than in rural areas. The largest cities of the country concentrate the highest number of loans and clients.

The gross urban and rural portfolio to June 1999 was a gross \$us288, 674,120 of which \$us247, 772,804 was still outstanding. The default rate was 14 per cent, as show the tables below.

TABLE 16
PORTFOLIO STATUS PER INSTITUTIONS URBAN AREAS
(In American Dollars)

INSTITUTIONS	PORTFOLIO			CLIENTS
	Gross	Outstanding	Defaulted	
Banco Sol	66,018,574	59,835,135	6,183,439	74,679
Financiera Acceso	79,934,242	58,896,428	21,037,814	75,947
Caja Los Andes	27,479,176	25,181,401	2,297,775	30,756
FFP-FIE	16,022,268	15,160,114	862,154	23,522
FFP FACIL	21,297,772	18,032,381	3,265,391	30,101
IDEPRO	7,725,579	7,065,153	660,426	14,626
DIAKONIA	4,446,185	4,262,036	184,149	8,581
FUNBODEM	1,619,733	1,446,480	173,253	1,306
PROMUJER	1,826,459	1,815,591	10,868	17,641
CIDRE	1,254,557	1,168,150	86,407	380
Financiera Eco Futuro	259,576	259,576	-,-	263
TOTAL	227,884,121	193,122,445	34,761,676	277,802

SOURCE: Data excerpted from FINRURAL Database. June 1999.

The rural portfolio shows the results:

Table 17
PORTFOLIO STATUS PER INSTITUTIONS RURAL AREA
June 1999
(In American dollars)

INSTITUTION	PORTFOLIO			CLIENTS
	Gross	Outstanding	Defaulted	
PRODEM	19,699,739	16,701,653	2,998,086	42,205
AGROCAPITAL	11,657,449	10,753,162	904,287	4,410
FADES	9,778,333	9,165,350	612,983	27,983
ANED	6,654,326	6,084,715	569,611	45,359
FONDECO	3,173,805	2,600,509	573,296	5,238
SARTAWI	2,904,740	2,538,918	365,822	6,149
CRECER	2,419,393	2,408,920	10,473	15,584
Caja los Andes	2,552,300	2,464,606	87,695	3,096
CIDRE	1,949,914	1,932,527	17,387	276
TOTAL	60,790,000	54,650,359	6,139,640	150,300

SOURCE: Data excerpted from CIPAME-FINRURAL database. 1999.

The preceding data illustrate the impressive growth of micro credit programs in Bolivia. These services have encircled the entire country and have benefited micro businesses in both urban and rural towns.

Portfolio concentration per Departments, in both rural and urban areas, shows the following numbers:

TABLE 18
PORTFOLIO CONCENTRATION PER DEPARTMENT
URBAN & RURAL AREAS

DEPARTMENTS	PORTFOLIO	CLIENTS
Chuquisaca	3,10%	4,59%
La Paz	35,86%	36,77%
Cochabamba	16,63%	15,16%
Oruro	6,95%	6,38%
Potosí	2,94%	7,06%
Tarija	3,15%	4,60%
Santa Cruz	29,69%	23,65%
Beni	1,42%	1,57%
Pando	0,25%	0,22%
TOTAL	100%	100%

Source: Data excerpted from CIPAME-FINRURAL. 1999.

The leading difficulties that we still face in terms of the variable Financing are:

- The demand for financial and non-financial resources is still higher than the available supply. This, despite the rapid growth of the number of institutions that provide these services, and the volume of resources the country is managing.
- Interest rates are still extremely high for small loans in micro financing institutions, a flaw that restrains access to small businesses whose profitability margins are very low.
- The price of money is a sensitive issue, especially for export-oriented organizations whose producers have to deal with the highly competitive international markets. Simply, high interest rates are the main obstacle for competitiveness of small business, rural or urban, that are struggling in international markets.
- Terms of repayment are very short, something that hinders capital investment in medium to long term undertakings. Worse yet, short repayment terms do not allow investing in infrastructure and equipment.

- Credit amounts available to micro business are too small to pay for the requirements of productive activities that require large amounts of capital investment.
- When confronted with demands for large amounts of money, micro finance entities hesitate. They cannot decide what action to take either for not wanting to change their policy of lending only small amounts, or for fear of the higher risk that implies lending larger amounts of money.
- Entities under the supervision of the Superintendence of Banks and Financial Entities (SBEF) are also subject, given the norms that prevail, to demand guarantees, which, for small business, are quite unrealistic.
- Commercial banks, notwithstanding the better conditions they now offer in relation to money price and others, are still inflexible in their policy of requiring a two-to-one guarantee for any loan.

6.5 The outlook of this process

Extreme poverty continues to be the chief obstacle for the future expansion of these programs in rural and urban areas. Likewise, the low demographic density of most areas limits the chance to service those areas at a reasonable cost, given the pronounced income fluctuation of the clients, and the dismal prospect of risk diversification.

Micro financial services have a high potential for contributing to the generation of higher income for the families thus ensuring their sustenance. Credit is an instrument that can be extremely useful to activate growth processes, as long as it operates in combination with other services. In order to fulfill its full potential, credit must operate in an environment that include adequate technology, open markets, and advanced managerial capabilities.

During the 1999 term, micro credit programs have encountered problems of negative growth, increment in default rates, loans granted over the repayment capacity of clients, and others that proved the system is not yet fully operational. It must remain clear, however, that the difficulties of the term are not solely the result of administrative shortcomings. It is true that the economic woes of the world have had an adverse impact on the national economy, and that these problems have shown the fragility of the system.

The symptoms of trouble for the programs are the negative growth of client and loans portfolios (a 4 per cent fall) and an alarming increment of the default rate that historically never exceeded 4 per cent to 14 per cent

In the future micro credit institutions will have to generate appropriate answers to the demands of a new reality. In that sense, we can predict the following:

- The vanishing from the micro credit scenario of all firms that cannot achieve self-sufficiency and that still need subsidies to operate.
- Fusion and strategic alliances among micro credit institutions to gain access to higher levels of efficiency, greater market share, and the formulation of new growth strategies based on the complementary strengths of other institutions that also partake of this process.
- Formulation of differentiation strategies with the end to accommodate the current set of services to the requirements of specific market segments.

CHAPTER 7

PRIVATE OPERATORS AND PROGRAMS OF SUPPORT TO THE MICRO AND SMALL ENTERPRISES

7.1 Description of the Current Situation¹⁸.

Understanding the important role Ms and PEs play in the country, and the restrictions they face in their activities, a number of Non-Profit Organizations took the initiative and developed a set of financial and non-financial services to assist this sector.

These multiform entities also known as Non- Governmental Organizations (NGOs), have become an important source of support for rural and urban micro and small businesses, thus compensating the neglect and/or lack of State involvement in this matter.

In general terms, we assume as **non-financial services** all those services of *capacitating, counseling, commercialization assistance and others intended to help Ms and PEs with administrative issues, and/or to improve their competitive capabilities.*

In latter years, the use of the term **"Management Development Services"** has become widely accepted and widespread, progressively substituting the term "non-financial services."

Non-financial services and the Institutions in charge of providing them began their activities, mostly in rural areas, at the onset of the 70s. The expansion of these Institutions was quite modest even into the later years of the 1980s decade. It is not until the beginning of the 1990s when these services experience an accelerated growth.

In spite of this important growth, there is still disproportion between financial and non-financial services. In the opinion of the Corporation of Private Institutions for Management Support (CIPAME)¹⁹ "non financial services or of management development have achieved results as yet modest, in growth, service coverage, number of new clients, and sustainability. The list below points at some of the possible causes:

¹⁸ Villavicencio, Ricardo y Pou Munt Guillermo, "Auto-Sustainability of Non-financial Services Directed to the Micro and Small Business." FUNDAPRO, 1999.

¹⁹ Triennial Strategic Plan, Corporation of Institutions for Management Support. 1999

- **The institution of management development services** is still frail and it has a limited and not very diversified set of services; these, however, show important and growing levels of specialization.
- **A scattered demand with low levels of information** on the variety and quality of available services, and a managerial culture that considers payment for these services an expense and not an investment in the business.
- **The absence of State-sanctioned, explicit policies** that could foster and activate the expansion of a market for this type of services, along with weak and badly coordinated public institutions.
- **International Cooperation policies and strategies** that have not privileged (with some exceptions) the strengthening of the entities providing these services. Likewise, they neglected the reinforcement of public institutions that could design and formulate policies to promote financing of micro and small businesses.”

Non-financial services, though not new in the country, share with other emerging sectors the need to generate the conditions of market expansion that could help them consolidate their operations. Micro credit services have gone through this process before, and today operate in mature markets and with well-established organizations.

7.2 Characteristics of non-financial services.

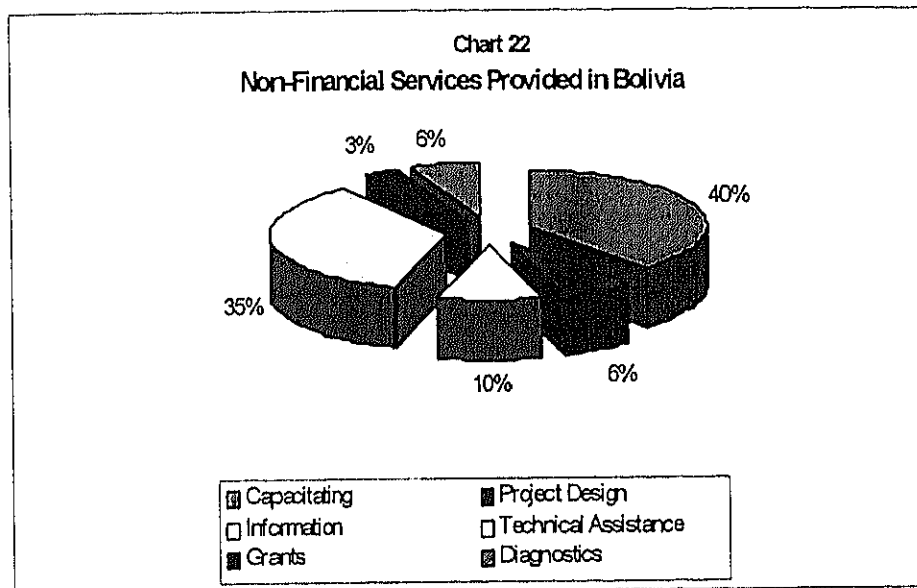
In relation to non-financial services, the great majority of programs consider these elements:

- **Educational Focus Prevails**
- The clients receive training with **methods used in the learning process of adult populations**, who, in many cases, have low levels of education.
- **Motivating**, assuming (there may be exceptions) that capacitating is voluntary.
- **Participating**, since the idea is to get the businesspersons involved in the process, and help them communicate their points of view.
- **Inductive**, using materials that encourage thinking and allow the students to make their own decisions in specific situations, to later take autonomous actions in their own businesses.

- **Focussed on the “know how,”** since the “know about,” a priority of traditional education does not provide answers on how to work out the problems entrepreneurs face every day.
- Their **orientation**, in almost all cases, is towards helping **low income population groups** that, on their own, have begun to work on productive economic activities.

7.3 Non-financial services in urban areas.

The supply of non-financial services in urban areas is heterogeneous and varied, and its implementation follows different methods. The graph below shows the types of non-financial services currently available in our country:



7.3.1 Capacitating

In-class capacitating is the prevailing practice and it is widespread, forty percent of all Institutions use it for:

- Capacitating on management issues.
- Capacitating on productive techniques.

7.3.2 Counseling

Counseling processes involve, for management and employees, the acquirement of proficiency in specific administrative or operative areas of business. The goal is to generate strengths that will lead to growth or greater competitiveness. The systems of counseling are:

- In-house technical assistance.
- Consulting.

7.3.3 Commercialization Assistance.

a) Provision.

Programs intended to overcome the adverse conditions small producers face in their relation with purveyors who do not offer fair prices, quality products, and timely delivery of raw materials, machinery and equipment.

b) Commercialization of finished goods.

Assistance in the marketing of finished goods through the following actions:

- Counseling and consulting to help deal with the pitfalls of commercialization.
- Promotion and fair organization.
- Establishing firms specialized in commercialization

7.3.4 Information.

Support in the formulation of a commercial system of information or database for timely reference on markets and supply centers. It operates through bulletins, press supplements and other publications, and radio programs.

7.3.5 Project design.

The Institutions design projects for groups of producers that count with full or partial financing from other support organizations. This constitutes a form of counseling and generates income to fuel the micro financier's operations.

7.3.6 Grants.

Programs through which potential beneficiaries have access to scholarships in local, or sometimes foreign, establishments of higher learning.

7.4 Status of the Main Non-financial Services Providers in Urban Areas²⁰.

The main providers of non-financial services operating in the capital cities of the central axis (Cochabamba, La Paz, Santa Cruz) are: (see attachment 1 for detailed activities.)

- INFOCAL.
- FIE
- IDEPRO
- CAPIA
- APIMEC
- FUNDES
- GREGORIA APAZA
- INASET

Services intended specifically for the manufacturing sector comprise about 30% of total services, 23% goes to the service sector, 33% are management courses, and 12% computer training. It is important to point out that in the two latter cases, the target group is all potential clients.

Table 19
NON FINANCIAL SERVICES PER TYPE OF BUSINESS
TO JUNE 1999

BUSINESS	CLIENTS
Micro enterprises	5.395
Small Enterprise	1.582
Medium Enterprise	1.829
TOTAL	8.806

Source: CIPAME

The volume of operations and the number of clients of non-financial service entities are relatively small, if we compare them with the numbers of those that provide financial services.

²⁰ Formulated based on: Baudoin Luis and Sandi Fernando, "Report on the Main Providers of Non-financial Services in La Paz, Cochabamba, and Santa Cruz." Chemonics International INC, 1999.

7.5 Non-financial services in rural areas²¹

The offer of non-financial services in rural areas is wide, varied and heterogeneous, much more so than that found in urban areas of our country. The findings of the Sandoval²² studies reveal the following as the main type of services that Non Governmental Organizations provide in rural areas: way

Table 20
WORK AREAS OF NGOs PER ACTIVITY

LINES OF WORK	ASSISTANCE	PROMOTION / JOINT EFFORT	COUNSELING	CONSULTING
EDUCATION				
CAPACITATING				
COMMUNICATION				
ECONOMIC PROJECTS				
HEALTH				
BASIC SERVICES / INFRASTRUCTURE				
INVESTIGATION / INFORMATION				

SOURCE: Sandoval, Godofredo: NGOs and the Roads to Development. 1992.

Assistance. It is the work intended to satisfy the immediate needs of a poverty-stricken population.

Promotion/joint effort. It is permanent support to the target population where the Institutions operate, and the close supervision, promotion and evaluation of different projects of support to the population.

Counseling. It is the work of assisting and counseling organizations and farming families. It has a strong educational inclination and the purpose is to encourage on-the-job learning. The individuals acquire expertise, skills, and new insight while working.

Consulting. A Mechanism of income generation for NGOs that sell their services, within a field of expertise, to cooperation agencies, support organizations, other NGOs, etc.

Amongst the main providers of services in rural areas are most of the institutions that appear in the list below: (see attachment 2 for a detail of activities)

- CIPCA
- ACLO
- IPTK
- SARTAWI
- CEDEAGRO
- QHANA
- ASAR

²¹ Villavicencio, Ricardo. *Significance of non-financial services in rural areas and their complementary action along financial services.* FUNDAPRO, 1999.

²² Sandoval, Godofredo

- FIDES
- CEDICA
- SEMTA

The purpose of all activities of NGOs is to take actions aimed at improving the quality of life, increase the levels of productivity, raise the education level, expedite entry to all types of markets, and strengthen farming organizations. The preferred means to achieve these objectives have been the design and execution of capacitating and technical assistance programs intended to advance the technical capacity and the productivity of farmers.

The work of these Institutions seek to benefit not only the target group or population they serve, they also want to impact on other actors of the community, area, or region where they implement the programs and/or projects.

Sandoval in his investigations wrote on this last issue:²³ "almost all NGOs, each from one specific view of development, are set to work for the poorer and less privileged groups of people encouraging their socioeconomic growth, taking care of their basic needs, advocating the defense of the people's rights before the State, or promoting the generation of new issues and social principles."

The work of these Institutions have had this emphasis:

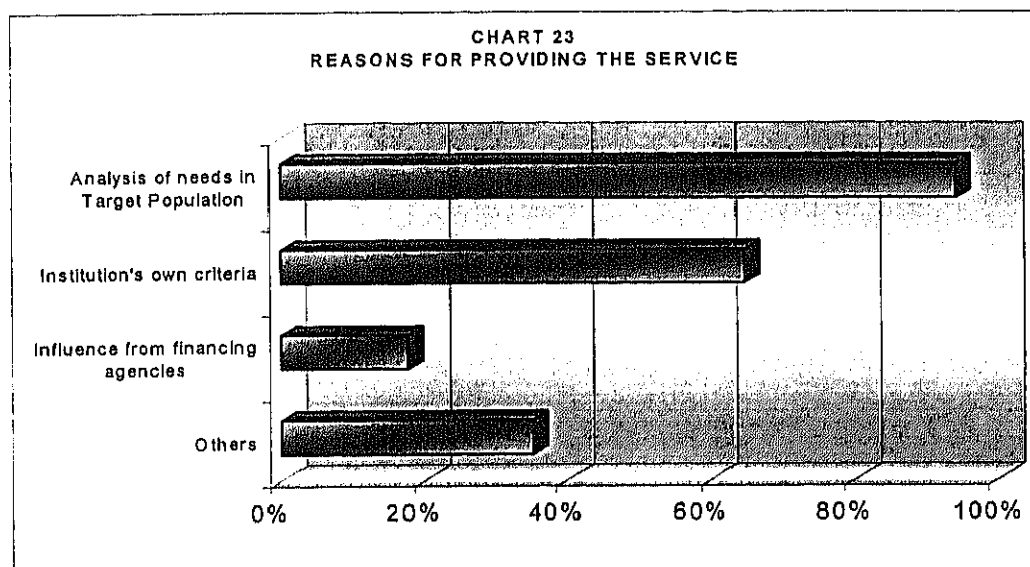
- All work performed must show, in a tangible manner, the exact benefits to the population object of the action.
- A strong educational component must be the basis to let the population, though in the middle and long term, to take charge of their own growth and have the same access to knowledge as do other sectors. Moreover, they must be capable of learning from their own experiences, thus increasing their capacity to put to use and generate new knowledge in benefit of their communities.
- Support to and strengthening of the beneficiaries own organizations, in the understanding that the beneficiaries will later take on the responsibility for their growth.

The reasons above make clear the intent and object of these non-financial programs in rural areas: help impoverished towns to initiate the construction of road to development and the change of living conditions.

²³ Ibidem.

7.5.1 Means to identify needs²⁴

The main reasons the Institutions working in rural areas cite for providing the services they offer are:



SOURCE: Results of an investigation on rural NGOs

It is remarkable, and a feature that we should applaud, that in the majority of the cases the service strategy relies mainly on the point of view of farmers who see and interpret reality with a distinct logic and rationale. The Institutions, at least a good number of them, have had the ability, and the good sense, to recognize this unique way of thinking and adapt their work methods to it.

7.5.2 Finding a Location

Fifty-nine percent of all Institutions said that the main reason to set up their base camp in a particular zone was the poverty of the people living in the area. Forty-one percent attributed their choice to definite favorable economic and productive conditions of the area. Twenty-four percent cited population concentration, and eighteen percent settled in one specific area because the people demanded their services.

In addition to the reasons mentioned, the Institutions also cited a number of factors that they have to evaluate before deciding on a particular site for their work. These factors make up the list below:

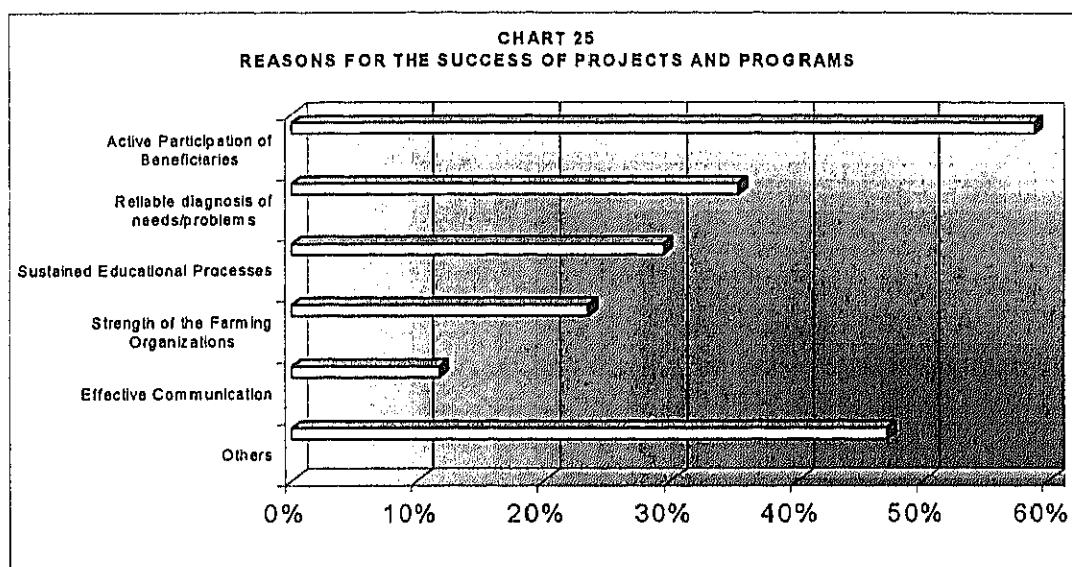
- Concentration of institutional resources.

²⁴ Villavicencio, Ricardo. The significance of non-financial services in rural areas and their complementary action along financial services. Op.cit.

- Absence in the area of other Institutions providing similar type of services.
- To help consolidate settlements of newly arrived migrants from the West. In latter years, west-east migration in Bolivia has been massive.
- Accessibility to the areas of service.
- A relationship of mutual interest between beneficiaries and the institution.
- Interest from the part of financial agencies to implement programs of non-financial services in certain areas.

7.5.3 Reasons for success and limitations of the programs

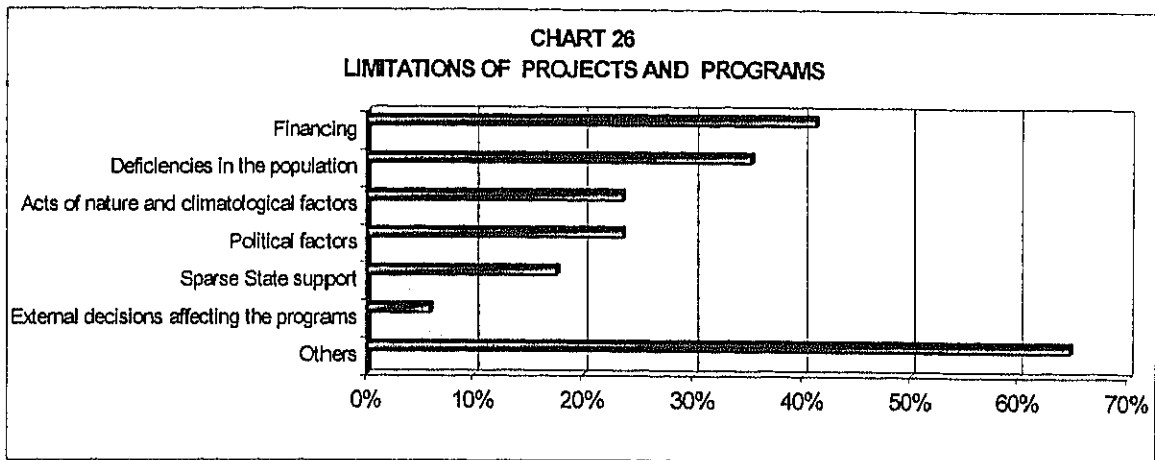
From the point of view of the Institutions that work in rural areas, the positive results of their work have the following antecedents:



SOURCE: Results of an investigation on rural NGOs

In general terms, the Institutions have a positive image of their work and of themselves. They believe that what they do contribute to alleviate, within limits, the problems of some populations.

On the other hand, what they consider the limitations or failings of their work, are factors that hinder their initiatives or lessen the impact of their actions on the target populations. These adverse factors are:



One other factor, cited as significant, has to do with the population lacking skills and other resources. The population deficiencies most relevant are:

- Low levels of basic education. This is particularly apparent in the female population.
- Few resources of farmers.
- Organizational fragility of economic associations.
- Lack of interest from the part of the farmers to assume the initiatives as own.
- Limited managerial capabilities of farmers.
- Instability of leaders or group of leaders.

Also relevant in this context are the acts of nature and climatological factors such as drought, floods, and hailstorms, among others.

The Institutions have also revealed that political meddling is a factor of limitation for their work, especially in the case of NGOs that hold some type of working relationship with Municipal Governments.

In like manner, among other factors the Institutions mentioned these:

- Unfamiliarity with the markets.
- Fluctuation of prices for farming products.
- Market pressure for the selection of determined productive sections.
- Limited capacity of coordination amongst sectors, and of unifying manifold interests.
- Low rate of permanence of the personnel for projects execution.
- Physical inaccessibility to the communities.
- Level of participation of the communities.

7.6 Analysis of the Sector's Viability in the Long Term²⁵.

The Institutions that support micro and small businesses in both rural and urban areas work in a heterogeneous universe, from the point of view of the forms of accumulation and the type of activities of these economic units.

The vast majority of micro enterprises, in lesser degree small enterprises, are only manifestations of strategies of survival. The key concern of these impromptu businesspeople is to get the minimum income every day to ensure the sustenance of their families. In their daily lives, capacitating, technical assistance, and other forms of non-financial services are not priorities.

The conditions of demand for these services have at present these characteristics:

- Owners of micro businesses do not assign much value to non-financial services.
- Businesspersons, especially owners of micro businesses, have a low level of schooling and, because of that, a low motivation to participate in capacitating events.
- Steady demand for non-financial services does not come from micro businesses; this demand mainly comes from small and medium size enterprises.
- A growing interest, particularly for capacitating services, is becoming manifest from the part of would-be businesspersons and the public.

From this point of view, a description of the market tendencies for non-financial services could be:

- We are operating in a market that has all the features of an emerging market where important degrees of strategic uncertainty exist, and where the chance of generating a variety of strategic approaches still prevails. We have not yet identified the correct strategies to capture demand in the market and achieve a strong positioning in it.
- Increment of the negotiation edge of prospective clients because of the growing competition and the change on the modality of subsidizing that the main financiers are advocating. Financial entities disregard supply, and want market growth through demand subsidies.
- With the increment in the number of competitors, the competition for market share has grown also. This situation will lead in the short term, to the generation and supply of high quality products.

²⁵ Villavicencio Ricardo and Pou Munt Guillermo, op. Cit.

- Materialization in a competitive scenario of strategic alliances with international institutions, something that allows the transferring of technology and methods particularly to the field of capacitating.

With respect to auto-sustainability the tendencies are:

- An important number of Institutions are considering a priority the issue of auto-sustainability. These Institutions believe that, in the long term, it is possible to attain this objective.
- Conversely, Institutions that do not think possible the goal of auto-sustainability affirm that once subsidies disappear their entities will no longer be able to provide any services.

The primary challenges in the future for organizations that provide non-financial services are:

- Provide services that respond to the needs of the market.
- Extend services in specialized areas to all potential clients.
- Create a permanent demand that allow continuous recycling of the services.
- Introduce advanced management techniques with the goal of improving the administration of the Institutions and attain a higher degree of effectiveness and impact in their work.
- Lower costs of operations.
- Ensure the auto-sustainability of the programs, without requiring permanent subsidies from the international cooperation.

CHAPTER 8

WORK POTENTIAL ²⁶

8.1 Introduction.

It is unlikely that Ms and PEs can successfully gain access to international markets while acting individually. They lack the expertise and managerial outlook to operate within the demands of those markets in terms of standards of production and quality.

The obstacles identified in relation to this matter are:

- Impossibility of accessing international markets due to the lack of connections and a corporate image that could back this attempt.
- Problems of stocking adequate raw materials.
- Limited production capacity.
- Low standards of quality.
- Informality and lack of continuity in market penetration efforts.
- Survival-oriented culture.

Recognizing these set of limitations, local medium and large enterprises have explored the possibility of establishing steady commercial relations with their counterpart micro and small businesses. From the viewpoint of the larger firms the barriers they encountered are:

- Want of reliability and extreme informality in contract performance. These traits are self-evident in most contracts where the quantity and the timely performance of the obligation suffer continuous setbacks.
- Lack of production capacity and low productivity.
- Logistic difficulties in combined operations.
- Absence of guarantees.
- Negative earlier experiences.
- Informal handling of norms, in relation to patterns and models.

8.2 Potential

Despite the intrinsic limitations of the sector and the shortcomings that medium and large enterprises list above, there is a good potential for joint work. This joint effort could function in a framework of strategic alliances between micro and small industries and medium and large companies.

²⁶: Pou Munt, Guillermo: *Project of business expansion based on the creation of synergetic structures between groups of micro businesses and commercial and industrial companies: a study of the potential demand of subcontracting needs in the cities of La Paz and El Alto.* COMFIE, 1998.

- An important part of the industrial sector of our country has a clear disposition to operate with export markets.
- There is a tendency to invest in labor-intensive industrial undertakings. Micro businesses could absorb these activities with relative ease.
- Technology-intensive companies use procedures that Ms and PEs could execute at low costs.
- The Industrial sector sends a clear signal as of its favorable disposition for taking part in an alliance with micro businesses.
- The consensus is that an association with the sector of Ms and PEs could be an advantageous alternative for incrementing production capacity and lowering production costs. Nevertheless, it is still an issue the lack of reliability, the quality of work, and want of guarantees.
- Lack of dependability and informality are the chief obstacles for the materialization of the alliance. Technical assistance and capacitating can easily take care of low quality of products and other production flaws.

8.3 Potential Areas of Business Development.

By means of polls and interviews administered to forty industrial companies of different sizes located in La Paz and El Alto, we identified the following lines of business susceptible to process of subcontracting.

Garment and Cloth Industry.

In this line of work it is possible to subcontract, specific processes of garment making. Quality and accuracy in the garments are very important elements of this process.

Operations such as cutting, embroidery, and washing, which need a high level of expertise or sophisticated machinery, do not need subcontracting. Other elements of the production line, however, such as quality control and other elements of control that may result in a low number of rejects, are fit for subcontracting.

Textile Industry

This is a technology intensive sector. The procedures in production are complex, and it is highly unlikely to subcontract any of those processes. An association with micro businesses is not likely in this line of business. Regardless, in the finishing stage of the production line, labor-intensive, repetitive procedures are susceptible to subcontracting.

Timber Industry.

The timber industry uses machines intensively, but specific products and processes are labor-intensive, something that would allow subcontracting. Examples of these are the manufacturing of small objects, carving pieces, assembling parts, upholstery, and others that require manual skills.

In this line of work, one of the main problems is to keep a uniform level of quality in the finish of the products. This calls for a conscientious work of capacitating and quality-oriented training.

Handicrafts.

In this sector, a considerable number of medium size firms need to extend their product line. In this case subcontracting could take up the entire production process, or at least a substantial part of it.

Tanneries.

In the operation of converting hides into leather, there is hardly a chance to subcontract any procedure; but in the making of finished goods, the potential for subcontracting is high. The finishing end of the production line in this industry can be labor intensive and require a small investment in machinery and equipment.

Other Industries.

In general terms, it is possible to find areas that require subcontracting in all types of companies, large or small.

Finally, there is the distinct possibility to combine the work of micro enterprises with the production of companies that function under special regimes as in the case of the RITEX or even the firms operating inside industrial free zones.

CHAPTER 9

RECOMMENDATIONS TO THE GOVERNMENT OF JAPAN FOR THE IMPLEMENTATION OF A PROGRAM OF NON-FINANCIAL SERVICES ORIENTED TO FAVOR THE MICRO AND SMALL BUSINESS IN BOLIVIA.

9.1. Requirements of a global environment

Globalization, the opening processes of sub regional integration and the consolidation of new technological and organizational paradigms with ample knowledge and information have increased competitive pressures on different economic agents in our country, especially on those of relative size.

Globalization of the economy and the increasing environmental norms of quality, the rapid changes in client demands, raise, especially for Ms and PEs, the challenge for achieving productive efficiency. Efficiency in servicing a variety of markets, improving the administration of their business, and other challenges, threats and opportunities encountered in this new environment.

The success of small businesses in the market economy depends on how well these are able to satisfy their clients by offering them products and/or services at competitive prices while improving their productivity and quality in a competitive environment.

Limiting factors for the development of the Ms and PEs competitiveness are numerous. These are of external and internal nature. In a modern and global environment, companies acquire new knowledge and intelligence in their organizations; thus, obtaining more sustainable and competitive advantages that increase as time goes on.

The environment in which the Ms and PEs develop their activities does not favor competitiveness of the sector because of the above-mentioned reasons. It is evident, therefore, that the strength of the market is not sufficient to develop the sectors' competitiveness.

If favorable conditions are established, Ms and PEs can find possibilities to develop competitive advantages in their environment. If these sectors relate through levels of cooperation with other business sectors of higher magnitude, they can foster adequate exploitation of their working capacity in specific market segments.

The lack of adaptation capacity to the new demands will provoke more exclusion of these economic establishments and therefore an increasing poverty of their members.

9.2. Conceptual Elements of the Proposal

It is important to make a definition of determined aspects of policy to establish the scope and direction of the Cooperation of the Government of Japan in favor of the Ms and PEs of Bolivia. It is essential to consider and establish a first and fundamental difference between **expenditure and investment** in cooperation processes.

We understand **expenditure** as the use of resources with no repayment of any nature, and with no permanence of the results obtained through certain resources. Many programs that cannot create conditions to self sustain through time, even after withdrawal of the cooperation programs, fall in this category

An **investment** is a program that creates conditions to stay through time. Fundamentally, it is an investment when it fulfils its goal of improving the income of the ultimate beneficiaries, and these take upon themselves the responsibility of carrying out the work after the cooperating agency withdraws.

Another difference refers to the time available to carry out the work. An expenditure program may last for a long time, but usually it has short-term goals, normally of effect; its purpose is not creating solid bases of permanence. An investment necessarily implies longer terms as the nature of its goals so demand.

The difference between expenditure and investment does not lie in the nature of the actions (project or program) but in the modality of resource assignment. Anyway, the programs have more possibilities to adequate themselves to the perspective stated in this conceptual definition.

The recommended alternatives for a future participation of JICA-Bolivia expect to undertake a range of issues that are almost unattended despite being part of the main problems of Ms and PEs in our country. From our point of view, they constitute a priority within the process of integral actions.

The category of process is outstanding for the following reasons:

- Development programs directed to the Ms and PEs should have a positive impact on the sector. They should sway in a way its growth depending on the available resources, the capacity of public, and private organizations and businesspeople to carry out the processes, and the macro economic conditions in which the program may operate.
- From this perspective, the work is much more than simply setting a number of quantitative goals to improve or solve specific problems. A program must transform processes and problematic mechanisms, therefore, its actions should aim towards the long-term impact.

- We consider the program itself a process. To build a program is to develop a process inserted into a higher dynamic, namely, the national reality, where a series of complex factors interact and potentially favor or limit its development.

The ensuing are some principles the program must follow:

Integrity. It intends to initiate a series of actions interacting together that can attack simultaneously several problematic factors that limit the development of the Ms and PEs. We advocate a conception of comprehensive work, but closely linked to priorities. The integral concept is not to the sum of components of work or projects, but an aggregate of privileged activities guarantee to fall into essential aspects of the problematic we intend to transform.

Complementation. The program does not intend to duplicate actions the country is or will be implementing in the near future. This program intends to be complementary, or to initiate actions in areas not yet assisted, or not expecting any assistance.

Adaptability. The program intends to recover some elements of the strength and the great experience of Japan in supporting Ms and PEs, given that Japan is an example internationally recognized. It intends to offer suggestions to adapt some elements of the Japanese model, and not simply adapt it in a mechanical manner.

Selectivity. We consider that it is not possible, and nor effective, that the cooperation of the government of Japan be used to solve all the problems of the Ms and PEs, urban and rural, and in all angles of activity. We recommend acting with a focus on selectivity towards the Ms and PEs sector that has greater development potential.

Sustainability. We consider that we should cooperate with these sectors in order that they find autonomous ways to eradicate their poverty, without long-term processes of support or subsidy.

Our proposal takes up on the advancements of the Bolivian Government and tries to adjust to the strategic lines that are formulating and discussing diverse organizations concerned with the Ms and PEs issue in our country.¹ These discussions have the distinct end to prevent that for want of clear guidelines, the cooperation of the Government of Japan work against the State's plans.

¹ Vice Ministry of Micro Enterprises. Strategic Guidelines for working with Micro and Small companies. Coordination Committee on Micro finances and Micro Business. Perspectives and Development of the Ms and PEs and Micro finances. Definition of Strategic guidelines.

Some basic conditions for a successful program.

No program can be successful without its results staying through time or if global conditions do not favor its development. From that point of view, it will be necessary to bear the following points in mind:

- A favorable political and institutional context with adequate macro economic possibilities to achieve the establishment of minimum political and institutional conditions that may give place to stable policies.
- Positive discrimination to eliminate biases contrary to Ms and PEs, allowing neutrality in macro economic policies with strong social investment in education and infrastructure. (This aspect will materialize with the program to alleviate poverty in Bolivia set forth by creditor countries).

Within our point of view, we consider that global macro economic conditions will maintain the relative stability that the country has been enjoying for several years. We also suppose that the conditions of the environment for Ms and PEs will change progressively in favor of these businesses given the interest shown on the theme in latter years.

Nevertheless, the changes and advancement experienced are not sufficiently rapid and thorough, as we would like it to be. There are no public policies or state resources to favor the sector. We have not passed from rhetoric to action.

Despite the limitations we consider that sufficient necessary conditions exist for JICA to undertake a supporting program to the Ms and PEs sector in the field of Non-financial Services.

9.3 Sectional Orientation of the Program

9.3.1. Work Alternatives

The programs and support policies to the Ms and PEs sectors should necessarily consider the differences among the various layers of business to state or set forth specific treatments for situations altogether different. A superficial perspective could lead to a dangerous reduction.

The Ms and PEs that have some characteristics apparently common, do not become a homogeneous whole. The universe of the Ms and PEs is heterogeneous, very dynamic, and contradictory.

JICA-BOLIVIA has the following alternatives to develop a program oriented to the urban and rural Ms and PEs in Bolivia.

TABLE 21
SECTIONAL WORK ALTERNATIVES

ALTERNATIVES	
Survival Ms and PEs	Ms and PEs with accumulative Potential
<p>Small business whose income, as a result of their activities are not enough to cover replacement of capital but only family subsistence.</p> <p>Also companies where their income covers family subsistence and only replaces part of their capital.</p>	<p>These are small business whose income allow for covering basic needs of family subsistence, and business where the potential to replace their capital allows for expansion.</p>

Source: Own data.

9.3.2. Survival Ms and PEs

These rural and urban establishments, mostly micro businesses, multiply in depressed regions and areas where people live in conditions of severe poverty.

These economic units carry out their activities within an extreme scarcity of resources. The need of survival determines their work cycles and they barely stay afloat using the very few resources available in a context of restrictive market options.

For this reason, there is a high rate of failure of these establishments, and the persons involved in the business and their families perform multiple activities simultaneously to obtain the income needed to ensure their survival.

These businesses require special programs to reduce substantially the levels of extreme poverty in the regions where they operate, especially in rural areas.

The Bolivian Government, after intense negotiations that counted with the support of international organizations, obtained for our country the status of nation beneficiary of the Extended Program for Relief of the External Debt (HIPC). As a result of these negotiations, the country will stop paying 2,500 million dollars to its creditors.

The resources of this external debt relief shall be oriented to generating opportunities to the poor thorough rural development, access roads, irrigation, education, health, basic services, housing, etc. It aims to reduce the level of extreme poverty in the country to five percent.

Although these resources do not go explicitly and directly to the Ms and PEs they will have a favorable impact in amending many elements in the environment that affect the growth of their economic activities. In our opinion, the survival micro business, especially those located in rural areas, will benefit the most with these State programs.

Because of the above-mentioned reasons, we do not recommend JICA-Bolivia to work with survival micro business, since these require special comprehensive programs set within the framework of economic and social policies of the Bolivian State. To obtain a favorable impact in these sectors important quantities of resources would be required.

9.3.3 Ms and PEs with Accumulative Potential.

We recommend the formulation of a program on the part of JICA-BOLIVIA with a **priority orientation toward micro and small urban and rural industries and service companies to support industrial activities with accumulative potential.**

This proposal intends to concentrate efforts in viable business that can be able to self-sustain without permanent subsidy.

We consider that there is no need to scatter resources and efforts, which are always limited, in multiple areas of work as well as in all the sectors of the Ms and PEs. They would have a very slight or indirect effect in surmounting the problems pointed out in the sector.

The reasons for suggesting working with these sectors are:

An income increase of these economic units and their members can be possible through a program directed toward the industrial sector. The program would constitute a very effective vehicle to fight the poverty of the people immerse into a type of economic activity. Probably these people do not face extreme poverty as those working in survival Ms and PEs.

- It offers assistance to business in the industrial sector because they have greater possibilities (services and trade in a lesser degree) to retain the surplus generated in their activities. The surplus allows extending their productive conditions to an increasing scale, or at least, ensures maintenance of their activity in the same scale.

The characteristics of industrial activities guarantee these economic units to have better conditions of subsistence, thus avoiding its members to seek other occupations and, especially, preventing the work of children outside their homes. Children often work to help the family survive or to generate new income in groups of the informal sector, or in the case of migrant families.

On the other hand, trade activities of micro business derive a very low profit. They underpay the work of their members to an extreme level and their activity has a serious risk of disappearing.

The program intends to help solve or neutralize, to a certain extent, all the environmental factors that have a negative influence on these economic sectors. We believe that we can eliminate or diminish all the disturbing negative factors to which these economic units are subjects. There are great possibilities for development and consolidation in this sector.

The Ms and PEs individually, even in a more favorable environment than the present, will hardly surmount their limitations. We consider that only the sum of collective efforts (on the part of their own businesspeople) will strengthen the sector (synergy effect) and will, at the same time, improve their negotiating capacity with their environment: clients, purveyors, the State, etc.

Programs in favor of this sector can potentially constitute an important element of stimulation for the people involved in these actions to be able to confront their own development independently.

Proof of the effectiveness of the programs is the extent and intensity with which Ms and PEs turn into vigorous business, which potentially means the growth from the smallest to medium size and even to a large-scale business.

Within the urban framework it will be necessary to establish –for the future- a certain degree of priorities toward more dynamic industrial sectors: handiwork, textiles, shoes and wood, in addition to service sectors closely related to these sectors.

In rural areas we suggest preferred support to agricultural industry, this, according to other experiences in Latin American countries, constitute a favorable alternative for farming. Under the right conditions of promotion and setting up, it may assume the role of regulator of terms of trade for the agricultural and stock breeding production. Moreover, agricultural industry may become a mechanism of work appropriation for farm producers.

9.4 Geographic location of the Program

The concentration of the urban industrial Ms and PEs in the central axis: La Paz, Cochabamba and Santa Cruz, conditions to a certain extent the exertion of more effort in these areas, without excluding other regions of the country.

In the case of rural industrial and industrial agriculture, there is no concentration of these in determined geographic areas. We therefore suggest that the program be of national influence.

9.5 Integral program for integral support to the development of the Ms and PEs.

9.5.1 General Objective

To assist in the increment of competitiveness of the urban and rural micro and small industrial business.

9.5.2. Strategic Lines

1. Development and consolidation of Institutions.

2. To assist the urban Ms and PEs development.

3. To assist the rural Ms and PEs development.

9. 5. 3. Objectives for each strategic line

**TABLE 22
OBJECTIVES FOR EACH STRATEGIC LINE**

To assist in the increment of competitiveness of the urban and rural industrial micro and small business.	
STRATEGIC LINE	SPECIFIC OBJECTIVES
Development and consolidation of institutions	<ol style="list-style-type: none"> 1. To assist in the development and consolidation and training processes, technical assistance and technological transference. 2. To promote, adequacy and formulation of favorable legal norms of the existing institutions. 3. To assist in the consolidation of the existing institutions.
To assist in the development of urban Ms and PEs.	<ol style="list-style-type: none"> 4. To assist in the development of micro and small consortia. 5. To assist in the development of cooperation processes and alliances of horizontal and vertical nature in productive chains. 6. To assist in the development of commercial capacity of the Ms and PEs international.
To assist in the development of rural Ms and PEs.	<ol style="list-style-type: none"> 1. To assist in the development and consolidation of associative industrial or industrial agriculture business. 2. To assist in the development of productive municipalities. 3. To assist in the development of training and commercial skills in order that the Ms and PEs profit from opportunities offered by local and international markets.

Chart 27 let us appreciate the model of the Integral Assistance Program for developing Ms and PEs.

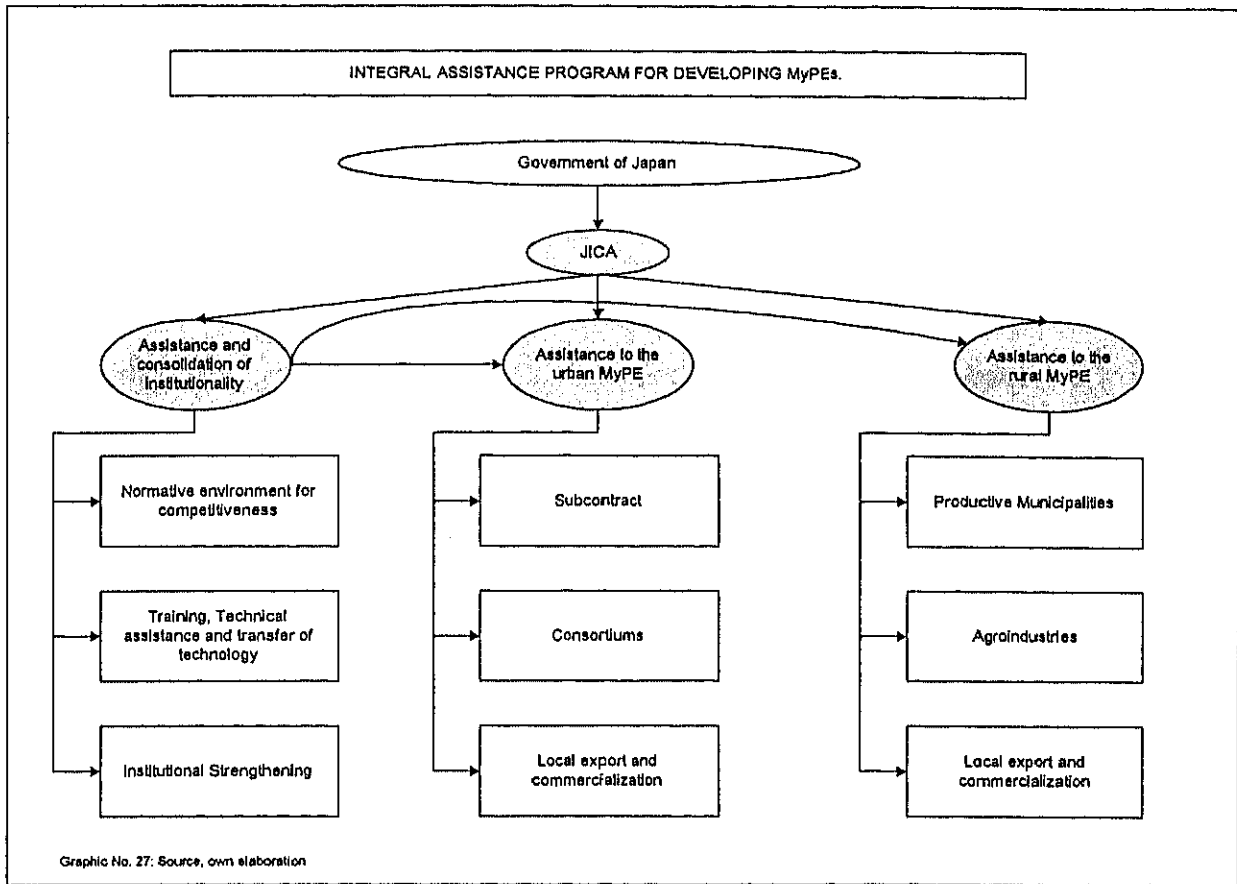


Chart 27: Source, own data and design

9. 5. 4. Development and consolidation of institutions

9.5.4.1. Assistance to develop a normative and legal environment to favor competitiveness

STRATEGIC LINE
Development and Consolidation of Institutions.

LINE OF ACTION
Assist in the development of normative and legal environment favoring competitiveness.

Justification

Adequacy and/or formulation of a new normative framework in answer to the Ms and PEs characteristics. It intends to:

- Maintaining clear rules.
- Reduce biases contrary to the sectors' development.
- Generate positive discriminating mechanisms in favor of the sector.

It intends to identify barriers of the current normative framework, which diminish competitiveness of the Ms and PEs. The principal priorities on this theme are:

- **Constitution of the Ms and PEs.** It intends to eliminate all obstacles that the Ms and PEs encounter in order to establish themselves normally. The legal situation of these businesses will depend on the profit this measure may generate, and their capacity to comply with the norms to be established.
- **Property Rights.** Creation of mechanisms for registering property rights in a simple and timely manner.
- **Taxpaying System.** Adequate the nature of the system to the size of the business, simplifying mechanisms for taxpaying.
- **Conciliation and arbitration Judicial System.** To stimulate, motivate and educate the use of conciliation and arbitration mechanisms.
- **Qualification, regulation and accreditation norms.** Norms of quality for those agencies which offer non-financial services to Ms and PEs with a minimum requisite of quality.
- **Consolidate and extend the norms, mechanisms of regulation and supervision of micro financial organization.** Consolidate the process initiated several years ago that resulted in great development of the micro financial sector.
- **Norms related to foreign commerce.** Support the compliance on part of the Ms and PEs on quality norms prevailing in other countries to adequate their exportable offer in accordance with requisites of international markets. Also, follow legal and regulative aspects in force in those markets.
- **Norms of quality.** Stimulate introduction of the philosophy and total quality techniques in the Ms and PEs. Promote achievement of quality certifications at moderate terms within the international norms of quality ISO 9000 and those of environment nature ISO 14000.

JICA's Role

Although this action falls under the responsibility and attributions of the Government of Bolivia, JICA can help with transfer processes of the Japanese normative models. Bolivians may adjust the models to the scope of the laws and economic, social, and cultural characteristics of this country.

The Bolivian Government, through actions of the Vice-Ministry of the Micro and Small Business, intends to work with priority in the following themes. JICA can cooperate in some areas of priority.

TABLE 23

AREAS OF POTENTIAL COLLABORATION BY JICA IN THE NORMATIVE FRAMEWORK

LEGAL NORMS	GOVERNMENT OF BOLIVIA	JICA-BOLIVIA
Simplified regulations for the constitution of business.	X	
Intellectual property and copyright.	X	
New tax revenue model.	X	
Conciliation and arbitration in the judicial system.	X	
Qualification, regulation, and accreditation to norms of agencies rendering non-financial services directed to the Ms and PEs.	X	X
Consolidate and extend norms, mechanism of regulation and supervision of non-financial agencies.	X	
Norms related to foreign commerce.	X	X
Norms of quality.	X	X

Source: Strategic guidelines for working with Ms and PEs. Vice-Ministry of Micro business.

We suggest that JICA cooperate in the development of aspects related to qualification, regulation, and accreditation of the agencies. This by offering non-financial services oriented to the Ms and PEs, in addition to those norms related to Foreign Commerce, Quality, and the Environment.

In accordance with the lines of intervention within the scope of JICA's policies, we recommend working in the following aspects:

TABLE 24

DEVELOPMENT OF FAVORABLE NORMS FOR THE Ms and PEs WITH JICA COOPERATION

Lines of Work	Scholar-Ship holder	Sending of experts	Supply of Equipment	Technical cooperation	Studies	Volunteers	Financial cooperation
Accreditation Norms of non-financial service agencies	X	X			X		
Norms related to Foreign Commerce	X	X			X		
Quality and environmental norms			X			X	X

Source: Own data and design

JICA's areas of participation.

The principal actions of JICA to support development within a normative framework favoring the Ms and PEs, are as follows:

**TABLE 25
ACTIONS TO BE FOLLOWED BY JICA**

<u>Line of Action</u> Normative and Legal environment favoring competitiveness		
FACTORS	JICA POLICIES	JICA ACTIONS
Agency accreditation Norms	Scholarship holders	Assist agents of public institutions: SAT and the Vice-Ministry of Micro Business to acquaint themselves on the manner Japan operates on the theme.
	Sending of experts	Arrival of experts on the theme to cooperate with public agencies related to the theme; SAT, Vice Ministry of Micro Business.
	Studies	<ul style="list-style-type: none"> • Analysis of the nature of non-financial services in Bolivia. • Determination of current levels of quality. • Establishment of standards of quality to be accredited.
Norms relative to Foreign Commerce	Scholarship holders	Assist agents of the public sector: CEPROBOL, NGOs and firms so that they may be acquainted with the legal, environmental and quality norms related to foreign commerce.
	Sending of experts	Arrival of experts in international commerce to advise CEPROBOL on foreign commerce normative aspects.
	Studies	Compilation of international norms prevailing in the principal regional agreements: legal, "para-tariffs" etc. As a guide for those who operate with international commerce.
Quality and Environmental Norms	Technical Cooperation	<ul style="list-style-type: none"> • Visit of agents of the Government, NGOs and Micro and Small Business to Japanese concerns that practice quality control. • Arrival of experts in quality and total quality control, environmental norms to train and offer technical assistance to the Ms and PEs in Bolivia in order to prepare conditions to opt for the ISO 9000

		and ISO 14.000 certification. <ul style="list-style-type: none"> • Arrival of computer science experts to create information systems on quality and environmental norms. • Donation of computer equipment to handle information systems.
	Volunteers	Arrival of volunteers with experience on quality, to help the Ms and PEs in their introduction process of total quality models.
	Financial Cooperation	Assist in the installation of laboratories (infrastructure and equipment) to control the quality of raw material, supplies, and end products.

9.5.4.2 Support to the formulation and consolidation of systems of capacitating, technical assistance and technological transfer

STRATEGIC LINE
Development and Consolidation of Institutions

LINE OF ACTION
Support the development and consolidation of training systems, technological assistance, and transfer of technology.

Justification

To strengthen the current institutional training capacity in themes such as training services, technical assistance, counseling, and technology transference. Through this program, we can solve the internal problems encountered by the Ms and PEs, mainly due to the low level of the sectors' competitiveness.

Through this system, we will achieve the development of the sector.

The objective conditions in which the Ms and PEs evolve in our country states a challenge to consolidated processes of support to the sector initiated a decade ago, especially, through the work of non-profit organizations.

To improve the country 's Ms and PEs and because of this decision, achieve the betterment of living conditions of the people dedicated to these activities. To achieve the goal it is required to work intensively on attitudes and behavior, and thus overcome prevailing mental patterns which difficult development of the sector and the society as a whole.

Regions better trained and skilled in handling and managing their economic activities can relate in a better way with their environment, especially with the market, increasing their working productivity and use their resources more efficiently.

In a direct manner, the training processes and technical assistance will allow qualifying the work force, orient the use of technologies, organize production efficiently, optimize the use of capital, and consequently, increase productivity. We lie on the hypothesis: more business education, more productivity; more productivity, more income.

Training processes use fundamentally the classroom, and, on different topics, according to the needs of the clients. The principal instruments are:

- Training in business management, with emphasis in marketing.
- Technical training in productive processes.
- Technological training.
- Training in quality management.

Technical assistance. It implies advisory processes and training developed in their own Ms and PEs business sites. The principal instruments are as follows:

- Technical assistance in marketing.
- Technical assistance in productive processes.
- Technical assistance in financial aspects.
- Technical assistance in administrative management.
- Technical assistance for exports processes.
- Business clinic.

Transfer of technology. Through training processes and technical assistance it intends to transfer knowledge and specialized equipment to update productive processes of management and others, which in most cases, are the main obstacles for the development of competitiveness. The principal aspects to consider on this variable are as follows:

- Norms of quality.
- Automation of productive processes.
- Facilitate, induce, and diffuse knowledge of technologies used.
- Knowledge of new technologies and business practices.

Because of the low level of literacy of the owners of micro business, capacitating and technical assistance processes must take into account the level of empiricism in these regions, and with that in mind, impart management techniques. The idea is to let participants understand why they practice certain procedures, and why those practices are included in training processes.

JICA'S ROLE

JICA can play a very important role in this area, because of the Japanese experience in giving support through training systems, technological assistance, and technological transference to small business. The main lines of action recommended, related to the framework of cooperation policies of JICA, are:

TABLE 26

TRAINING DEVELOPMENT, TECHNICAL ASSISTANCE AND TRANSFER OF TECHNOLOGY TO Ms and PEs WITH JICA COOPERATION

Lines of Work	Scholarship holder	Sending of experts	Supply of equipment	Technical cooperation	Studies	Volunteers	Financial cooperation
Training				X		X	X
Technical Assistance				X	X	X	X
Transfer of Technology		X	X		X	X	X

The principal actions suggested for JICA are as follows:

TABLE 27
JICA ACTION
Line of Action

Support to formulation and consolidation of training systems, technical assistance, and transfer of technology

FACTORS	JICA POLICIES	JICA ACTIONS
Training	Technical cooperation	<ul style="list-style-type: none"> Support the understanding on part of Government agencies and NGOs' representatives of Japan's training experience applied in favor of Small Business. Award scholarships to NGO officials

		<p>and training service operators to post grade studies in business management, quality control, technological management and pedagogy.</p> <ul style="list-style-type: none"> • Sending of Japanese Small business training experts, as well as experts in pedagogy and adult education. • Granting of equipment for training processes to the Government of Bolivia to be administered by non-financial service operators: computers, television sets, videos, printing equipment to produce didactic material, equipment for the creation of audiovisual material, etc. • Granting of machines and industrial equipment for the handwork sector, wooden furniture, shoes, food staff and others for the installation of "technical teaching centers" and at the same time machine centers (machicenters) to support technical training activities.
	Volunteers	<ul style="list-style-type: none"> • Japanese volunteers to support creation processes of audiovisual material. • Volunteers to assist in technical training processes.
	Financial cooperation	Infrastructure (classrooms, offices) for technical teaching centers in different parts of the country.

TABLE 28
SUPPORT AND CONSOLIDATION OF TRAINING SYSTEMS, TECHNOLOGICAL ASSISTANCE, AND TRANSFER OF TECHNOLOGY

FACTORS	JICA POLICIES	JICA ACTIONS
Technical Assistance	Technical Cooperation	<ul style="list-style-type: none"> • Bolivian scholarship holders to assimilate experiences gained by the Government of Japan and large Japanese business in their processes of technical assistance to the small business. • Arrival of Japanese experts to support development on part of technical service operating agencies offering solid, effective and sustainable models of execution. • Arrival of experts from Japan in dynamic areas among the Ms and PEs to support technical assistance processes especially to attain exportation potential. • Arrival of Japanese experts in International Commerce, to support adequacy of the exportable offer according to international market demands. • Granting of equipment, defined lines above in the training variable, this is useful for the processes of technical assistance.
	Studies	Carry out studies to determine the generation of potential products to establish productive chains of export consortia requiring training processes and priority technical assistance.
	Volunteers	Arrival of volunteers in different fields to assist non-financial service operators in formulating processes of technical assistance.
	Financial Cooperation	Development of infrastructure (defined in training variable) to support processes of technical assistance.

TABLE 29
SUPPORT AND CONSOLIDATION OF TRAINING SYSTEMS, TECHNICAL ASSISTANCE, AND TRANSFER OF TECHNOLOGY

FACTORS	JICA POLICIES	JICA ACTIONS
Transfer of Technology	Sending of Experts	Send Japanese experts to support systematic and continued transfer processes of technology in areas of new technologies, quality and environmental norms, international commerce, computer science, etc.
	Equipment Supply	<ul style="list-style-type: none"> • Granting of equipment to provoke technological leaps in certain sectors of the Ms and PEs with a strong developing potential. • Possibly, transfer equipment to the Ms and PEs through credit or leasing programs with the assistance of expert micro financing agencies. Recuperation of these resources could permit the Bolivian State to extend its promoting programs to the sector.
	Studies	To carry out studies to promote technological leaps of the Ms and PEs and develop competitive and sustainable capability.
	Volunteers	Based on the variable of technical assistance volunteers will be able to help adopt the sector with new technologies.
	Financial Cooperation	Offer infrastructure of "teaching centers" or "machicenters" for training processes and technical assistance to provoke transfer processes of technology.

9.5.4.3 Institutional Strengthening

STRATEGIC LINE
DEVELOPMENT AND CONSOLIDATION OF INSTITUTIONS

LINE OF ACTION
INSTITUTIONAL STRENGTHENING

Justification

The successful outcome of the execution of public policies and actions to help develop the Micro and Small Business in Bolivia will depend, largely, on the State's capability of designing and putting them into practice.

Institutions of the public sector tend to be excessively bureaucratic and not too efficient in their operations; their human resources have no professional conduct and vocation of service (almost all of them).

Public institutions are subject to very strong political influences, which preclude them to have continuity of actions executed, even within the same governmental term. On the other hand, public institutions of our country as demonstrated by a number of investigations have a tendency towards corruption.

To this effect, we advise the furtherance of an institutional strengthening component to allow the Bolivian State promote development in a competitive environment within the scope of its attributions. We also suggest a close connection to agencies of the private sector that have plenty of experience in the execution of non-financial programs.

The State must be able to generate actions in coordination with the private sector. These actions should be sustainable through time and stop depending on external donations and subsidy after some time.

The State must develop expertise in the following themes:

Design of Public Policies. With participation of the different sectors involved, it must have talent and capacity to formulate public policies to favor conditions of equity for the Ms and PEs.

Design Systems of Governmental Information to allow:

- Promoting of governmental transparency and participation of the sectors involved.
- Fostering an information and communications culture.
- Promoting transparency in the definition of norms.

Systems of Market Intelligence. The Bolivian State should play an important role in:

- Studying characteristics of the international market demands.
- Understanding the scope of legal and regulatory norms of other countries.
- Distributing information to interested sectors as a system of advanced warnings.

Quality of Services. The state must resolve its anachronous service management, where lack of professionalism prevails, and take steps to attain public services with efficiency and quality.

JICA'S ROLE

JICA can strongly support the Bolivian State by transferring experience and practice from the Japanese State in terms of assistance to the small business sector.

**TABLE 30
INSTITUTIONAL STRENGTHENING THROUGH JICA COOPERATION**

Lines of Work	Scholarship holder	Sending of Experts	Equipment supply	Technical cooperation	Studies	Volunteers	Financial Cooperation
Public policies	X	X					
Normative and Market systems				X	X		
Quality of service	X	X					

TABLE 31
LINE OF ACTION
INSTITUTIONAL STRENGTHENING

FACTORS	JICA POLICIES	JICA ACTIONS
Public Policies	Scholarship Holders	<ul style="list-style-type: none"> • Let Bolivian officials know the manner in which Japan formulates and executes public policies in favor of small business. • Courses in design of public policies.
	Sending of Experts	Assist the Vice-Ministry of Small Business with the arrival of experts in design of public policies.
Normative and Market information systems	Technical Cooperation	<ul style="list-style-type: none"> • Scholarships to study governmental information design systems. • Experts in design and administration systems of information to assist in the elaboration of a normative and legal market design. • Granting of computer equipment for setting up information systems.
	Studies	Study of an information system, specialized in developing Ms and PEs in legal and market aspects including design and administration through the Internet with access to interested sectors.
Quality of Services	Scholarship Holders	Courses in Japan to follow studies in Philosophy of Quality, quality in service agencies.
	Experts	Send experts in design to assist in setting up of quality processes in the Bolivian Public Agencies.

9. 5. 5. Assistance to the urban micro and small business

9. 5. 5. 1. Assistance to develop subcontracting processes

STRATEGIC LINE
Assistance to urban Micro and Small Business

LINE OF ACTION
Subcontracting

Justification

Generally, the Ms and PEs, deal with competition in the internal market within the scope of low demand and low production of the competing business concerns.

Because of this, Bolivian business concerns find it difficult working with international markets in a consistent manner unable to satisfy quality demands and large-scale production.

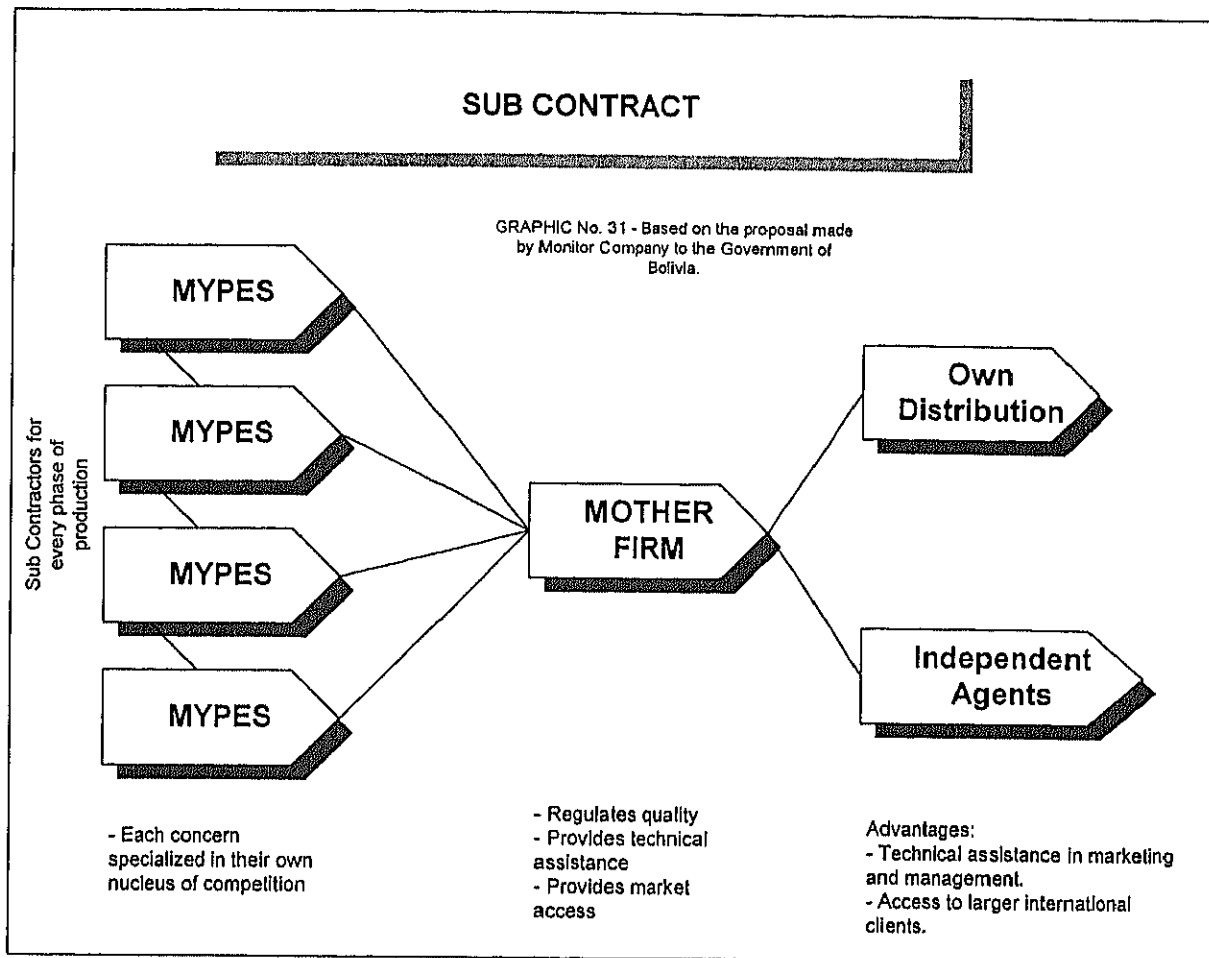
One of the options to overcome these limitations would be to promote vertical and horizontal developing processes of the Ms and PEs. These productive chains link –in a solid manner – Ms and PEs and larger business concerns with local or international markets.

The idea is to reach an agreement with a main concern called “Mother”, which is a large firm with market expertise that can systematize the production of small business. The Mother will keep production consistent in quality, standards, complex designs, and timely reaction to the needs of the client.

Mother firms resolve the problem of marketing by improving an extending the Ms and PEs export bases.

This integrating system between micro, small, and larger business do not imply any merger but a well defined subcontracting network and reciprocal assistance between establishments of any size.

The model of how this element of the program would operate is the following:



As established by the work of Guillermo Pou Mount on the interest of large business concerns in our country to operate this type of productive and integrative scenarios, there is interest if there are conditions to develop those alliances. Propitious conditions may reverse the non-favorable image that larger businesses have of the Ms and PEs

Japan has ample experience in these themes as larger Japanese corporations operate successfully under processes of productive relationship among mother, daughter, including grandchild business concerns.

The proposal is fundamentally oriented to assist the joint work of larger Bolivian business concerns with small ones; although options are not discarded for using this model in subcontracting processes of international nature through "maquila" processes.

The work in this line would compensate the advantages of the small scale and its reduced basis for development. Potentially, a micro business may achieve substantial improvements in productivity, quality, and rationality in its operations.

* Translator's note: Work paid to a small firm for performing a specific procedure along the production line.

For purposes of effective attainment of this proposal, we require close interaction of training services, technical assistance, transfer of technology, technological improvement, control and evaluation of results, among others.

The advantages of having a subcontracting program are:

- Better use of the installed capacity.
- Extended transfer of technology among business concerns.
- Decrease in production costs.
- Expanded absorption of workmanship
- Higher quality of products
- Strategic marketing approach.

JICA's ROLE

The description of the lines proposed where we suggest the process of implementation within JICA's cooperation framework is:

TABLE 32

FORMULATION OF SUBCONTRACTING PROCESSES OF Ms and PEs AND JICA COOPERATION

Lines of Work	Scholarship holder	Sending of Experts	Equipment supply	Technical cooperation	Studies	Volunteers	Financial Cooperation
Training				X	X	X	X
Technical Assistance				X	X	X	X
Transfer of Technology				X	X	X	X
Subcontracting Bureau				X	X		X

**TABLE 33
JICA'S ACTIONS TO ASSIST IN SUBCONTRACTING**

FACTORS	JICA POLICIES	JICA ACTIONS
Training, technical assistance and transfer of technology (these elements have been described and recommendations have been formulated in 9.5.4.2)	Technical Cooperation	To share experiences in subcontracting processes gained by mother and daughter Japanese business concerns.
	Studies	To assist in studies to determine development potential of local and international subcontracting processes, definition of sectors with capacity to contract and work as subcontractors, and the methodology to apply the model.
	Volunteers	Japanese volunteers in different professions to help train, offer technical assistance to the Ms and PEs, and ensure the success of subcontracting processes.
	Financial Cooperation	Creation of infrastructure to promote training processes technical assistance and services (machicenters). Assist in the creation of productive infrastructure to carry out subcontracting processes, including industrial installations located in free areas to receive contracts from national and international business concerns (maquila).

**TABLE 34
SUBCONTRACTS**

FACTORS	JICA POLICIES	JICA ACTIONS
Subcontracting Bureau	Technical Cooperation	Acquaintances with subcontracting bureaus operating in Japan that handle information on offer and demand of services. Arrival of experts to create a subcontracting bureau for determined industrial sectors established in the corresponding studies. Supply of computer equipment and technical support to operate a subcontracting bureau.
	Studies	Investigate those sectors of more capacity to work in business transaction processes.
	Financial Cooperation	Infrastructure for operating a subcontracting bureau, which NGOs or business concerns may manage in accordance with agreements with the Government of Bolivia on agencies of the private sector:.

9. 5. 5. 2. Assistance in constituting and developing Ms and PEs Consortia

<p><u>STRATEGIC LINE</u> <i>Assistance to urban micro and Small Business</i></p> <p><u>LINE OF ACTION</u> <i>Assistance in constituting and developing Consortia</i></p>
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Justification

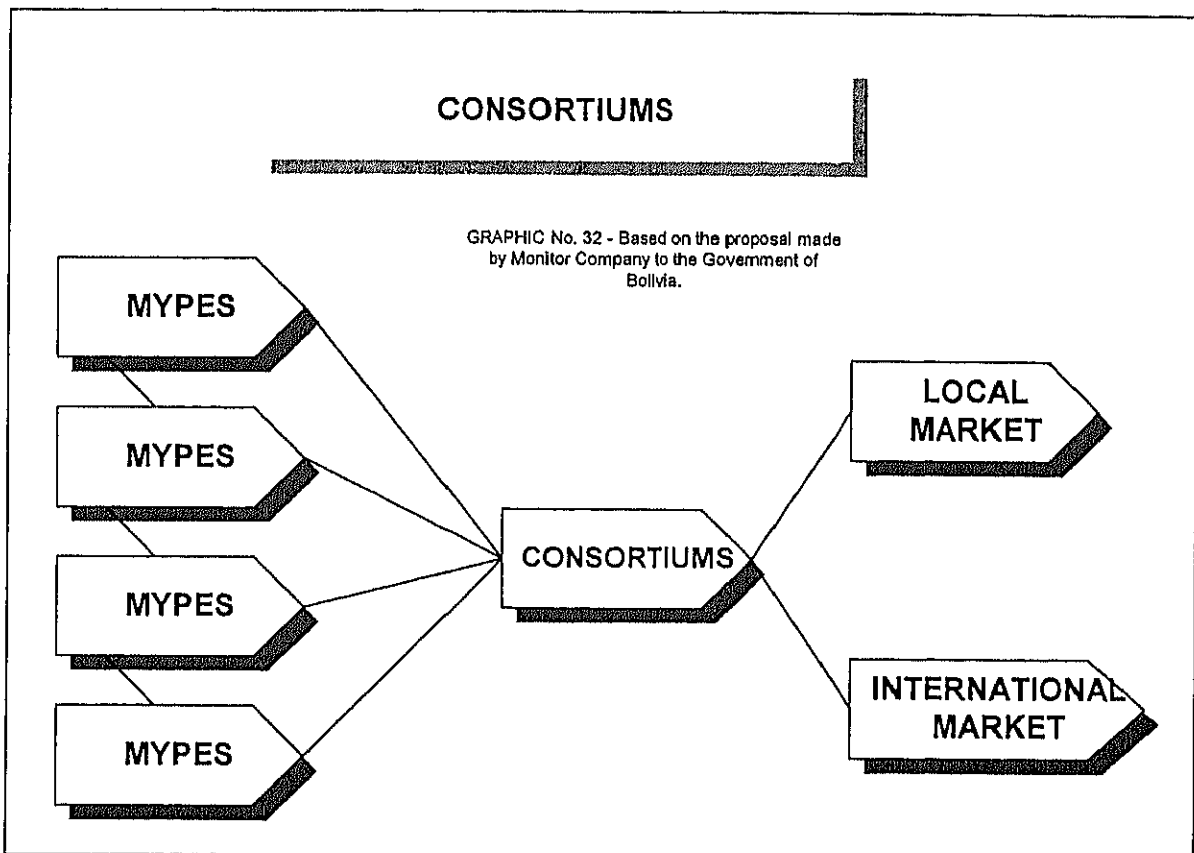
The Ms and PEs are currently surrounded by subsidiary economic spaces where they subsist and reproduce with limited access to market opportunities.

From this perspective many business concerns in order to overcome the above-mentioned limitations, decide to establish consortia or groups of the same line of business that facilitate the performance of specific actions of production -and/or commercialization.

Consortia are flexible agencies in their structure that may be contingent or permanent with an undefined number of members. They may be of different lines of business or activity and may organize themselves according to their personal and business culture.

These characteristics are ambitious forms of association of the Ms and PEs because this leap may imply working together in purchasing and selling processes, common designs, technical supervision, quality control, and supply of raw material

Belonging to a consortium demands from participants a high degree of commitment and conviction not only concerning the implementation of the project but also the ensuing work as a whole.



Consortia can develop abilities and skills to:

- Recognize and answer demands from International markets.
- Provide products and/or services of quality.
- Meet delivery deadlines accurately.
- Develop skills for post-sale follow-up.

JICA's ROLE

The cooperation of JICA-BOLIVIA can be of great value on this theme if it can achieve a close relationship with programs of the OOJFC. The Official Organization of Japan for Foreign Commerce (OOJFC) executes these programs in an effort to open markets for Bolivian products in Japan.

If Bolivian business could enter the Japanese market under competitive conditions, it would have extraordinary multiplying effects on the long term.

This assistance would not be limited to fostering the opening of the Japanese markets but the work on this theme would strengthen the Ms and PEs and prepare them to seek other international markets.

TABLE 35
RELATION OF THE DEVELOPMENT OF THE Ms and PEs CONSORTIA WITH
JICA'S COOPERATION

Lines of Work	Scholarship holder	Sending of Experts	Equipment supply	Technical cooperation	Studies	Volunteers	Financial Cooperation
Training				X	X	X	X
Technical Assistance				X	X	X	X
Transfer of technology				X	X	X	X

TABLE 36
JICA ACTIONS TO ASSIST IN CONSTITUTING AND DEVELOPING Ms and PEs
CONSORTIA

Line of Action
Formation and Development of Ms and PEs Consortia

FACTORS	JICA POLICIES	JICA ACTIONS
Training, Technical Assistance, Transfer of technology (Formulation of these elements' description and recommendations are in 9.5.4.2.)	Technical Cooperation	Granting of scholarships in order to gather the Japanese experience in inter-business cooperation. Arrival of experts to assist business alliance processes through training and technical assistance. Expert assistance to analyze productive offers, supplies sources, ways of facing joint productive processes. Granting of machines and equipment to assist productive processes in the case of productive consortiums and other type of equipment in case of commercial consortiums.
	Studies	Offer studies to establish potential sectors to work in productive and/or commercial consortiums; design methodologies to carry out these options.
	Volunteers	Arrival of Japanese volunteers to assist in training processes and technical assistance to business concerns participating in the program.
	Financial Cooperation	Productive infrastructure for training processes and technical assistance (formerly defined). Commercial infrastructure for the trading of products in local markets. Special equipment to participate in international fairs.

9. 5. 5. 3. Assistance in exportation and commercialization for urban and rural Ms and PEs.

STRATEGIC LINE

Assistance to the urban Micro and Small Business

LINE OF ACTION

Assistance to local exportation and commercialization

Justification

Today the world is conceived as a "global village" where geographic borders are becoming less important; where relationship among countries are more and more interdependent, especially in commerce and economy.

In the global market, business concerns vigorously compete taking competitive advantages derived from their international contact network. These phenomena have prompted business concerns to restate their working style in terms of price, quality, and service, in order to compete in better conditions in domestic and international markets.

When business concerns understand and adequate themselves to the new reality of globalization, they have the perspective that the world is a potential market. A market to sell their products, or buy supplies such as machinery, equipment, raw material, and productive inputs.

The new realities at world level demonstrate the shaping of great integrating economic blocks between countries. The agreements of the European Economic Community, the Andean Group, MERCOSUR, etc., where Bolivia has a preferential status that is not adequately being used for lack of productive offer of the quantity and quality required by these markets.

One of the main obstacles to develop Ms and PEs is the nature of markets to which they currently offer their products and the style of commercialization they employ.

Experience tells us that part of the inconveniences these economic units confront, can be resolved if they overcome their commercialization problems.

The idea is to find attractive opportunities in segments of international markets preferably, and then promote development of products suitable to the needs and perspectives of consumers in said markets. This model is also applicable to the field of internal markets.

To achieve this endeavor we require work in the following factors:

- Explore markets with more potential for development; identify tendencies of consumption, likes, preferences, competitiveness, and prices.
- Adapt offer to the nature of demand.
- Legal, environmental and quality norms and regulations prevailing in markets.

JICA'S Role

JICA can cooperate in the following actions:

**TABLE 37
RELATION OF ASSISTANCE TO EXPORTATION AND LOCAL
COMMERCIALIZATION WITH JICA COOPERATION**

Lines of Work	Scholarship holders	Sending of Experts	Equipment supply	Technical cooperation	Studies	Volunteers	Financial Cooperation
Market Information system		X	X		X		
Adequacy of productive offer				X	X	X	X
Logistic system		X	X		X	X	
Local fairs		X	X		X	X	X

TABLE 38
JICA ACTIONS TO ASSIST EXPORTS AND LOCAL COMMERCIALIZATION

Line of Action Assistance for Export and Local Commercialization		
FACTORS	JICA POLICIES	JICA ACTIONS
Market Information System	Sending of Experts	Arrival of international market experts to train and give technical assistance to manage information systems. Arrival of experts in market data system design, that Bolivian consulates abroad may promote. Training to promote Bolivian products through the Internet, designing offer systems, processing of transactions in line, measuring of clients' satisfaction. Creation of a data base information on market, legal, environmental and quality norms.
	Equipment Supply	Granting of computer equipment to operate information systems.
	Studies	Market exploration studies for Bolivian products. Studies should determine –with the assistance of JETRO- the possibilities of exporting Bolivian products to Japan.
Adequate Productive Offer	Technical Cooperation	As defined in training systems, technical assistance and transfer of technology in forming consortiums and sub transactions processes.
	Studies	Studies in settled skills, types of existing technology, human resources available, development potential.
	Volunteers	Assistance to training processes and technical assistance to improve productive processes and quality of products.
	Financial Cooperation	Infrastructure to improve productive processes.

TABLE 39
JICA ACTIONS FOR ASSISTANCE TO EXPORT AND COMMERCIALIZATION

FACTORS	JICA POLICIES	JICA ACTIONS
Logistic System	Sending Of Experts	Arrival of experts to advise on storage, packing, physical distribution of systems, preservation of perishable products.
	Supply Of Equipment	Granting of equipment: Scales, computers, laboratory instrumentals for quality control, cold temperature systems.
	Studies	Elaboration of studies to substantially improve logistic factors for different types of industrial and agricultural industry business.
	Financial Cooperation	Storage infrastructure for raw materials and end products, especially, for rural business concerns. Infrastructure for preservation under cold temperature, air-conditioned, vehicles to transport perishable products.
Local Fairs	Sending of Experts	Arrival of experts to lend advisory services on commercialization in local markets, using modern marketing tools. Expert advisory services for the marketing in fairs.
	Equipment Supply	Granting of equipment: counters, shelves, and collapsible infrastructure, to display products in fairs.
	Studies	Studies to determine participation in specialized fairs to promote urban and rural Ms and PEs supplies in the entire country.
	Financial Cooperation	Infrastructure to install permanent fairs for urban and rural producers according to certain items and specialties.

9. 5. 6 Assistance to the rural Ms and PEs

9. 5. 6. 1. Assistance to Agricultural Industry

STRATEGIC LINE

Assistance to the rural Ms and PEs

LINE OF ACTION

Assistance to agricultural industry

Justification

Rural agriculture dedicated to industrial activity located in production areas, processes and transforms agricultural products, and raw materials.

The experiences of other countries show important benefits for the farmers' production through small industrial projects, controlled by small-scale producers.

Agricultural industries intend to be mechanisms to increase family income in the rural area by promoting their inhabitants to be a source of supply of raw material and labor force. Developing these economic units is fundamental in order to further the economic and social development of these operating areas.

JICA'S ROLE

JICA's cooperation will assist the current agricultural industries, as follows:

TABLE 40
RELATION OF ASSISTANCE TO AGRICULTURAL INDUSTRIES WITH JICA COOPERATION

Lines of Work	Scholarship holder	Sending of Experts	Equipment supply	Technical cooperation	Studies	Volunteers	Financial Cooperation
Technical assistance /transfer of technology				X	X	X	X
Quality and environmental norms		X	X				
Associative/Business concerns		X	X				

TABLE 41
JICA ACTIONS TO ASSIST RURAL AGRICULTURAL INDUSTRIES

Line of Action Assistance to Rural Agricultural Industries		
FACTORS	JICA POLICIES	JICA ACTIONS
Technical Assistance, transfer of technology	Technical Cooperation	Defined in 9.5.4.2.
	Studies	Develop studies to determine the potential to transform agriculture raw material into industrial products.
	Volunteers	Volunteers to assist in productive processes and management to rural industries.
	Financial Cooperation	Infrastructure to assist in agricultural activities: improvement of roads, electricity, etc.
Quality and Environmental Norms	Sending of Experts	To assist the agricultural industries' economic units to follow quality and environmental norms, green seal, Norms ISO 14.000.
Associative Business	Sending of Experts	Advisory services for productive, technological and administrative management of the industrial agriculture associative business.
	Equipment Supply	Granting of equipment: computers, fax, telephones, to assist the associative business in their operations.

9. 5. 6. 2. Assistance to productive townships

STRATEGIC LINE
Assistance to urban Ms and PEs

LINE OF ACTION
Assistance to productive townships

Justification

Within the framework of the laws of decentralization and public participation, rural municipalities have been receiving, for some years now, important amounts of economic resources.

Within the new perspectives that are being viewed in the country, there is the purpose to constitute municipalities as promoters of economic activities in their areas of influence.

To this effect, there is the possibility for rural townships to assist in the development of industrial and/or industrial agriculture activities.

JICA'S ROLE

JICA can cooperate in the following fields:

TABLE 42

RELATION OF ASSISTANCE TO PRODUCTIVE TOWNSHIPS WITH JICA COOPERATION

Lines of Work	Scholarship holder	Sending of Experts	Equipment supply	Technical cooperation	Studies	Volunteers	Financial Cooperation
Normative and legal environment				X	X		
Institutional strengthening		X	X				

TABLE 43
ASSISTANCE TO PRODUCTIVE TOWNSHIPS

Line of Action Assistance to productive townships		
FACTORS	JICA POLICIES	JICA ACTIONS
Normative and Legal Environment	Technical Cooperation	Scholarship holders to acquaint themselves with the experiences of the Government assisting small business. Arrival of experts to give advisory services to municipalities to conform a normative and legal framework, favorable to the Ms and PEs. Supply of computers and office equipment to assist in municipality administrative tasks.
	Studies	Legal studies which may allow recommending measures to municipalities to favor economic activities in their areas.
Institutional Strengthening	Sending of Experts	Experts to advise municipalities to manage processes favoring competitiveness of economic activities in rural areas.
	Equipment Supply	Granting of computer equipment, telephones, and other items for municipality administrative tasks.

9.6 Bolivian Government Counterparts

In compliance with policy set forth by JICA-BOLIVIA the proposal suggested for the Program of Support to Competitiveness must establish a counterpart from the Bolivian Government.

In our view, the job of the State should not be taking action (with few exceptions); rather, the State should assume a supplementary role of facilitator and agent of consensus in all activities. The State should encourage the private sector (NGOs and business organizations) to become chief administrators of the suggested set of actions mainly because they can do it with greater efficiency.

The execution of the program, pursuing guidelines of the Japanese Government, will take place within the framework of agreements with the Bolivian Government.

For the execution of the program, we recommend that experienced operators in this field, such as NGOs in Bolivia, work closely with the administrators, and that the ultimate beneficiaries, which are small and micro businesses, exert mechanisms of social control.

In relation to which Government agencies could act as counterparts, Table 39 shows the potential scenario

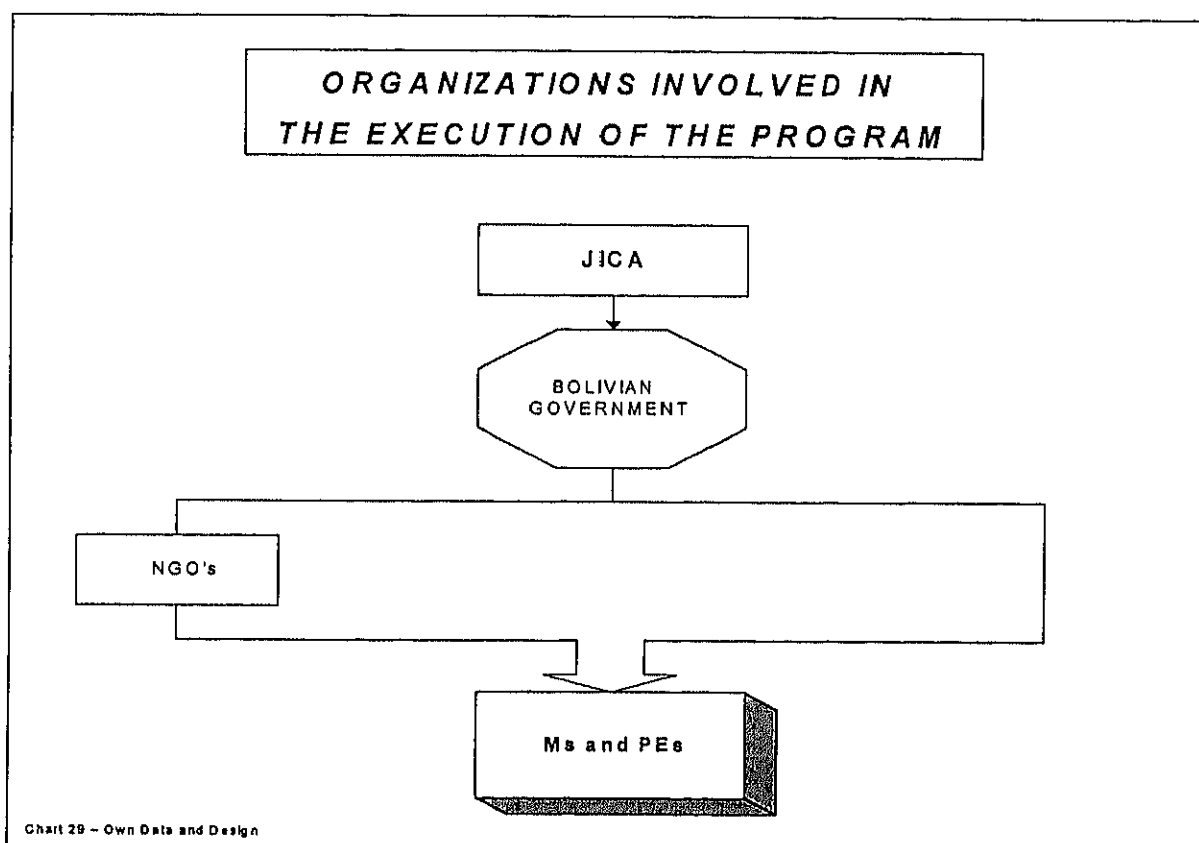


TABLE 44
POTENTIAL BOLIVIAN GOVERNMENT COUNTERPARTS FOR THE EXECUTION
OF THE PROGRAM OF SUPPORT TO URBAN AND RURAL MICRO AND SMALL
ENTERPRISES

INSTITUTIONS		PROGRAMMATIC LINES								
Vice Ministry	Subsidiary Institution	Normative Environment	Capacitating, Technical Assistance	Institutional Strengthening	Subcontracting	Consortia	Export and local commercialization	Productive Townships	Agricultural Industry	Export and local commercialization
Micro enterprise		X	X	X	X	X	X	X	X	X
Industry and Commerce	SAT		X	X	X	X	X			
	INBOPIA		X	X		X				
International commerce	CEPRO BOL			X	X	X	X			X
Tourism			X	X			X			
Public Participation	Townships	X	X	X				X	X	X
Agriculture and Stockbreeding	UNEPKA		X	X			X		X	X
	PRO EQUIPO		X	X				X	X	X
Alternative Development			X	X					X	X
	Prefectures	X		X				X	X	X

We recommend that the Cooperation of the Government of Japan, should it decide to initiate a program of support to Ms and PEs, choose as a main counterpart the Vice Ministry of Micro enterprises.

JICA should take part of the Committee of Coordination in the Area of Micro finance and Micro enterprise, which, presently has representatives of agencies of the International Cooperation, the Bolivian Government, and NGOs.

ANNEXES

DIRECTORIO DE ONG'S

Nº	INSTITUCION	SIGLA	CIUDAD	DIRECCION	TELEFONOS	FAX	CASILLA
1	ACCION CULTURAL LOYOLA	ACLO	CHUQUISACA	LOA 802	6213 - 54248	62618	538
2	ASOCIACION DE INSTITUCIONES DE PROMOCION Y EDUCACION	AIFE	LA PAZ	MACARIO PINILLA 525 - SOPOCACHI	413272 - 415244	410242	6334
3	ASOCIACION NACIONAL ECUMENICA DE DESARROLLO	ANED	LA PAZ	PUE. URODINNEA 275 ED. GROVER P 4	359846 - 358982	358982	12528
4	ALDEAS INFANTILES SOS	AISOS	LA PAZ	MENDEZ ARCOS 776 - SOPOCACHI	412343 - 411334	414581	14322
5	FUNDACION PARA LA INVESTIGACION ANTROPOLÓGICA Y EL ETNODesarrollo	ASUR	CHUQUISACA	SAN ALBERTO 413	53841	62194	662
6	CENTRO CANADIENSE DE ESTUDIOS Y COOPERACION INTERNACIONAL	CECI	LA PAZ	R. GUTIERREZ PUE. SALGUEIRO 2347 - SOPOCACHI	411767 - 410221	412307	13520
7	CENTRO DE DESARROLLO Y FOMENTO A LA AUTO AYUDA	CEDEFOA	LA PAZ	ANDRES MUÑOZ 2510 - SOPOCACHI	414675 - 410003	414076	14539
8	CENTRO DE DESARROLLO RURAL	CEDER	COCHABAMBA	SANTIVANEZ 0754	59021 - 59545	59021	1024
9	CENTRO DE TECNOLOGIAS INTERMEDIAS	CEDETI	SANTA CRUZ	AV. MELCHOR PINTO 211	341663	528168	4901
10	CENTRO DE ESTUDIOS PARA EL DESARROLLO LABORAL Y AGRARIO	CEDELA	LA PAZ	JAMES FREYRE 2940, SOPOCACHI	312429 - 413175	414625	8630
11	CENTRO DE INVESTIGACIONES DE DISEÑO ARTESANAL Y COMERCIALIZACION COOPERATIVA	CIDAC	SANTA CRUZ	AV. ROCA Y CORONADO Y TERCER ANILLO EXTERNO	521933 - 341843	521933	4925
12	CENTRO DE INVESTIGACION Y DESARROLLO REGIONAL	CIDRE	COCHABAMBA	JUAN DE LA CRUZ TORRES 1674	232566 - 232743	04117220	1804
13	CENTRO DE INVESTIGACION Y PROMOCION DEL CAMPESINADO	CIPCA	LA PAZ	AV. 20 DE OCTUBRE 1703	322797 - 374701	391364	5854
14	CATHOLIC RELIEF SERVICES - USCC	CRS	LA PAZ	JACINTO BENAVENTE 2190 P. 2, SOPOCACHI	323335 - 362899	392228	2561
15	FUNDACION DIACONA - FRIF	D - FRIF	LA PAZ	AV. JUAN PABLO II 125 ESQ. EULERT, 16 DE JULIO	841227 - 844289	841219	3387
16	FUNDACION INTEGRAL DE DESARROLLO	FIDES	SANTA CRUZ	AV. SANTA CRUZ, 187	472276	472279	1911
17	INSTITUTO DE ASISTENCIA SOCIAL ECONOMICA Y TECNOLOGICA	INASET	LA PAZ	PEDRO SALAZAR 634	375457 - 358413	323379	13336
18	PROGRAMAS PARA LA MUJER	PRO MUJER	LA PAZ	AV. HERNANDO SILES 455 CALLE 9, OBRAJES	784711 - 784942	784942	7338
19	CENTRO DE EDUCACION POPULAR QHANA	QHANA	LA PAZ	CALLE LANDAETA N° 522	353855 - 373960	391822	9989
20	FUNDACION SARTAWI	SARTAWI	LA PAZ	JAMES FREYRE 2013, TEMPLADERANI	329270	419598	1862
21	FUNDACION SUZA DE COOPERACION TECNICA PARA EL DESARROLLO	SWISSCONTACT	LA PAZ	AV. 6 DE MARZO 340, EL ALTO	624236	624236	4679
22	ASOCIACION YANAPANACU	YANAPANACU	LA PAZ	BLOQUE L15, GABRIEL RENE MORENO 1026, SAN MIGUEL	794803	259547	6389
23	CENTRO DE DESARROLLO AGROPECUARIO	CEDEAGRO	COCHABAMBA	SUPACHA 216	259547	252559	690
24	CENTRO DE INVESTIGACION SOCIAL Y TRABAJO EN EQUIPO MULTIDISCIPLINARIO	CISTEM	LA PAZ	AV. LITORAL 2700, NUEVOS HORIZONTES, EL ALTO	816557	816557	15038
25	PROGRAMA DE PREVENCION PARA NIÑOS DE Y EN LA CALLE	ENDA - BOLIVIA	LA PAZ	AV. ANTOFAGASTA CALLE 8 N° 308, EL ALTO	811695 - 810079	811446	9772
26	FUNDACION PARA ALTERNATIVAS DE DESARROLLO	FADES	LA PAZ	MACARIO PINILLA 370	327171 - 323836	431471	14927
27	INSTITUTO POLITECNICO TOMAS KATARI	IPTK	CHUQUISACA	NATANIEL AGUIRRE 560	62447 - 61352	62768	158
28	UNION NACIONAL DE INSTITUCIONES PARA EL TRABAJO DE ACCION SOCIAL	UNITAS	LA PAZ	GRESPO 2256, SOPOCACHI	353048 - 417216	391385	8666
29	FUNDACION BOLINVEST	BOLINVEST	LA PAZ	ABDON SAAVEDRA N° 2120	411717	414535	141
30	CENTRO DE EDUCACION Y DESARROLLO INTEGRAL DEL CAMPESINO	CEDECA	SANTA CRUZ	COBUIA 151	341663	528168	4901
31	COOPERACION DE INSTITUCIONES PRIVADAS DE APOYO A LA MICROEMPRESA	CIPAME	LA PAZ	ED. SAN PABLO P. 6 OF. 1603	378150	378150	8918
32	CENTRO DE FOMENTO A LAS INICIATIVAS ECONOMICAS	FIE	LA PAZ	GRAL. GONZALES 1272	322833	322850	7524
33	ASOCIACION DE INSTITUCIONES FINANCIERAS PARA EL DESARROLLO RURAL	FINRURAL	LA PAZ	MACARIO PINILLA 291	432667	322656	13241
34	FONDO DE DESARROLLO COMUNAL	FONDECO	SANTA CRUZ	AV. 26 DE FEBRERO 686	520740	536089	1168
35	FUNDACION BOLIVIANA PARA EL DESARROLLO DE LA MUJER	FUNBODEM	SANTA CRUZ	REPUBLICANAS 70	352101	362417	3501
36	CENTRO DE PROMOCION DE LA MUJER GREGORIA APAZA	GREGORIA APAZA	LA PAZ	EULERT 215, ZONA 16 DE JULIO, EL ALTO	840351	840244	12571
37	INSTITUTO PARA EL DESARROLLO DE LA PEQUEÑA UNIDAD PRODUCTIVA	IDEPRO	LA PAZ	CALLE CAMPOS 132	433647	431547	14236
38	ASOCIACION MENONITA DE DESARROLLO ECONOMICO	MEDA	SANTA CRUZ	PARAPETI 146	351634	330183	3086
39	CENTRO DE SERVICIOS INTEGRADOS PARA EL DESARROLLO URBANO	PROA	LA PAZ	ED. JUNIN P. 10 OF. 1001, CALLE REYES ORTIZ	353565	821552	11514
40	FUNDACION PARA LA PROMOCION Y DESARROLLO DE LA MICROEMPRESA	PRODEM	LA PAZ	ALMIRANTE GARU 625 PISO 1	366950		13963

DIRECTORIO DE INSTITUCIONES

INSTITUCION	CONTACTO	DIRECCION	TELEFONO
1 Vicemin de Microempresa	Lic. Marcela Alcocer	Calle Pinilla esq. Ascarunz N° 535	414217
2 Vicemin de Industria y Comercio Interno	Lic. Brenda Flores	Av. Camacho	343404
3 Servicio de Asistencia Técnica	Marcia Mendez	Av. Camacho	310031
4 INBOPIA	Lic. Graciela Ursueta	Av. Camacho	364093
5 Vicemin DDM Part. Popular	Lic. Satú Sonuco	Calle Ecuador casi esq. Rosendo Gutierrez	412741 - 416040
6 Vicemin Apoyo Desarrollo Integral	Cap. Romel Morón	Av. 20 de Octubre Edf. Min. de Defensa 8° piso	432525 - int. 4811
7 Vicemin de Turismo	Ing. Edgar Torrez Saravia	Palacio de las Comunicaciones piso 10	358213
8 Vicemin Inver. Pub. Fin. Exter	Lic. Marianela Zeballos	Palacio de las Comunicaciones piso 11	360087
9 Vicemin. De Presupuesto y Contaduría Pública	Lic. Ramiro Cavelo Uriona	Ministerio de Finanzas	373350
10 Vicemin. de Relaciones Exteriores y Culto	Lic. Fernando Messmer Trigo	Palacio de las Comunicaciones	336200
11 Vicemin Desarrollo Alternativo	Lic. José Decker Marquez	Av. 14 de Septiembre entre calles 7 y 8 , Obrajés	783534
12 Vicemin Asuntos Financieros	Lic. Marisol Fernandez	Ministerio de Finanzas	373350
13 FONDESIF	Lic. José Abel Martínez - Secretario Ejecutivo	Edf. Banco Central de Bolivia piso 6	374151
14 FONADAL	Lic. Benavides	Av. 14 de Septiembre entre calles 7 y 8 , Obrajés	786405
15 FIS	Lic. Guillermo Roca	-	412474
16 CAMEX LA PAZ	Lic. Ximena Escobar Villarroel	Av. Arce N° 2021, esq. Gofita	440998
17 CEPROBOL	Lic. Elsa Paredes Ayllón	Calle Mercado N° 1328, Edf. Mariscal Ballivian Piso 18	336886

APPENDICES

APPENDIX 1

Activities of Entities in the Urban Setting

APPENDIX 1

RELATION OF THE ACTIVITIES OF URBAN SECTOR ENTITIES

APIMEC

It provides capacitating in management, counseling in quality management, counseling in commercialization and marketing and in-house training. It services small and micro industrial wood, metal, metal shops and dressmaking enterprises. Its base city is Cochabamba.

CAPIA

It offers non-financial services such as capacitating, counseling, projects and commercialization. These have the aim to improve the situation of Micro and Small businesses in general. CAPIA has offices in cities of Beni, Santa Cruz, and Pando.

FIE

This institution provides services of capacitating in production techniques, in-plant technical assistance, managerial counseling, and business information services. The sectors that benefit from this institutions' work are artisans workshops, individuals users, small industries, medium industries, groups or artisan associations, rural communities, independent artisans and specific associations. Finally, we should mention that the FIE has an important presence nationwide.

Its primary services are:

- Courses in business management, commercialization, sales techniques, product promotion, costs, cash management, production administration, production control, total quality, etc.
- Courses in production techniques, particularly for the dressmaking sector.

FUNDES

It provides educational services in administration and finance, sales training, business assessment, strategic planning, organizational advancement, human resources management, environmental management, and production management. The sectors FUNDES serves are small industries, medium industries, small and medium commercial concerns, and small and medium size service companies. It covers the cities of Cochabamba, La Paz, and Santa Cruz.

GREGORIA APAZA

It aspires to promote the personal and social empowering of women in local and national processes of development, offers political advising and capacitating, capacitating in regional management, technical training and business management. GREGORIA APAZA serves primarily adult and young Aymara women but also urban, youths of both sexes, mixed communal organizations, trade-union members, artisans of both sexes, associations, and federations. The city of El Alto is the seat of its activities.

IDEPRO

IDEPRO contributes with capacitating, advising, and trade information. It services the Micro and Small productive and service enterprise, primarily in the sections of dressmaking, leather, and foodstuffs. Its offices are in the cities of La Paz, El Alto, Oruro, Sucre, Potosi, Cochabamba, and Santa Cruz.

INASET

It brings up services of total quality capacitating, leadership capacitating, in-plant technical assistance and business assessment. INASET's clients are small and medium size enterprises as well as individuals and institutions. Its work extends to the cities of Cochabamba, La Paz, Oruro, Santa Cruz, and Tarija.

INFOCAL

Conceived by the private sector to work as a foundation, INFOCAL is a non-profit organization that devotes its effort to the formulation of sustained processes of training for intermediate technicians of the industrial and service sectors.

It has a program of technical capacitating aimed at servicing Micro enterprises. INFOCAL gives courses on:

- Dressmaking
- Metalwork
- Woodwork
- Electricity
- Plumbing
- Others

This is a nationwide program.

APPENDIX 2

Activities of Entities in the Rural Setting

APPENDIX 2

RELATION OF THE ACTIVITIES OF RURAL SECTOR ENTITIES

SARTAWI

It intends to give technical assistance to low-income segments, notably in rural areas, and expedite their economic undertakings strengthening through specialized technical services, the industrial, artisan, and stockbreeding sectors to achieve a sustainable and profitable production.

Its main programs are:

- Agricultural afforestation
- Micro business
- Rural financial services
- Commercialization

Its area of work is Cochabamba, La Paz, Oruro, and Santa Cruz.

POPULAR EDUCATION CENTER QHANA

It proposes the implementation of a process of Sustainable Rural Growth in its area of influence aiming for the construction of local empowerment within a framework of a democratic and multicultural society.

Its leading programs are:

- Agricultural and Stockbreeding Production
- Popular Education
- Didactic material
- Farmers Organization

It works in the Department of La Paz, in the Andes and Sud Yungas provinces.

FARMERS' CENTER OF INVESTIGATION AND PROMOTION CIPCA

Its goal is to contribute to the participation, equitable and coherent with their cultural traits, of farmers and original peoples –male and female- in the power mechanisms, decision making and in the production and distribution of goods and services.

The principal programs it proposes are:

- Agricultural and Stockbreeding Production
- Communication
- Anthropological and Socioeconomic investigation
- Commercialization
- Popular Education
- Agricultural and Stockbreeding experimentation
- Farmers Organization

It works in the Departments of Cochabamba, La Paz, and Santa Cruz.

MULTIPLE SERVICES OF APPROPRIATED TECHNOLOGIES SEMTA

It aims to implement processes of sustainable rural development

Its main programs are:

- Natural Resources
- The Environment
- Agricultural and Stockbreeding Production
- Agricultural Production
- Farm Management
- Agricultural afforestation
- Topsoil conservation

SEMTA works in the Department of La Paz.

CENTER OF AGRICULTURAL AND STOCKBREEDING DEVELOPMENT CEDEAGRO

Its goal is to promote economic growth within the political, economic, productive and social strategies of self-management in farming communities.

Its principal programs are:

- Productive Program
- Constructions
- Municipal Strengthening

Its base is the Department of Cochabamba

RURAL AND ARTISAN SERVICES ASSOCIATION ASAR

Its goal is to improve the income of small farmers through capacitating and the granting of basic services for sustainable agricultural, stockbreeding, and artisan development.

Its main programs are:

- Improvement of agriculture and stockbreeding
- Artisanship

ASAR works in the Departments of Cochabamba and Oruro

**TOMAS KATARI POLYTECHNIC INSTITUTE
IPTK**

Its object is to promote and develop the potential of underprivileged population groups to help them generate their own growth, exercising their rights fully and using their resources effectively.

Its programs are:

- Health programs
- Nourishment Safety Programs
- Nutritional Rehabilitation
- Productive Centers
- Credit Project
- Social Communication
- Stockbreeding Project
- Pre-investment Project

IPTK works in the Department of Chuquisaca.

**CULTURAL ACTION LOYOLA
ACLO**

Supplies services to organized farmers of both sexes in the southern regions of Bolivia to strengthen their abilities in the areas of productive economy, political organization, and township administration.

Its chief programs are:

- Strengthening and consolidation of farming production
- Managing and recovery of the productive base
- Strengthening of base organizations
- Protection of agricultural topsoil
- Optimization of water resources

ACLO works primarily in the Departments of Chuquisaca, Potosi, and Tarija.

INTEGRAL DEVELOPMENT FOUNDATION FIDES

It seeks to promote sustainable and comprehensive human development through projects and services in the areas of natural resources management, production, commercialization, township and community management, health and basic sanitation, schooling, and educational.

Its central programs are:

- Capacitating Workshops
- Sustainable management of human resources and the environment.
- Interactive programs for communities: water, basic sanitation, micro businesses, organizational reinforcement.

Its main area of work is the Department of Santa Cruz.

CENTER OF EDUCATION AND INTEGRAL GROWTH (CEDICA)

It tries to contribute to sustainable rural development through technical assistance, capacitating, and counseling to families and organized groups having as its base strategy safety in nourishment and nutritional wellbeing to improve the quality of life of women and men.

Its leading programs are:

- Integral growth with nourishment safety and nutritional wellbeing
- Promotion and development of the Amboró
- Agricultural and forest systems in the high basin of the Guenda River.

It operates in the Department of Santa Cruz

APPENDIX 3

Entities Directory

DIRECTORIO DE ONG'S

Nº	INSTITUCION	CIA	CUIDAD	TELEFONOS	FAX	CRISTEDA
1	ACCION CULTURAL LOYOLA		CHUQUISACA	6213 - 54248	62618	538
2	ASOCIACION DE INSTITUCIONES DE PROMOCION Y EDUCACION		LA PAZ	413272 - 415244	410242	6934
3	ASOCIACION NACIONAL ECUMENICA DE DESARROLLO		LA PAZ	358946 - 358982	358982	12328
4	ALDEAS INFANTILES SOS		LA PAZ	412343 - 411334	414581	14322
5	FUNDACION PARA LA INVESTIGACION ANTROPOLÓGICA Y EL ETNODesarrollo		CHUQUISACA	53841	62194	682
6	CENTRO CANADIENSE DE ESTUDIOS Y COOPERACION INTERNACIONAL		LA PAZ	411767 - 410221	412307	13320
7	CENTRO DE DESARROLLO Y FOMENTO A LA AUTO AYUDA		LA PAZ	414675 - 410003	414076	14539
8	CENTRO DE DESARROLLO RURAL		COCHABAMBA	59021 - 59645	59021	1024
9	CENTRO DE TECNOLOGIAS INTERMEDIAS		SANTA CRUZ	341863	526168	4901
10	CENTRO DE ESTUDIOS PARA EL DESARROLLO LABORAL Y AGRARIO		LA PAZ	312429 - 413175	414625	8630
11	CENTRO DE INVESTIGACIONES DE DISEÑO ARTESANAL Y COMERCIALIZACION COOPERATIVA		SANTA CRUZ	521933 - 341843	521933	4925
12	CENTRO DE INVESTIGACION Y DESARROLLO REGIONAL		COCHABAMBA	222566 - 232743	0411720	1804
13	CENTRO DE INVESTIGACION Y PROMOCION DEL CAMPESINADO		LA PAZ	322797 - 374701	391364	5854
14	CATHOLIC RELIEF SERVICES - USOC		LA PAZ	323335 - 352993	392228	2561
15	FUNDACION DIACONA - FRIF		LA PAZ	841227 - 844299	841219	3387
16	FUNDACION INTEGRAL DE DESARROLLO		SANTA CRUZ	472278	472279	1911
17	INSTITUTO DE ASISTENCIA SOCIAL ECONOMICA Y TECNOLOGICA		LA PAZ	375457 - 358413	323379	13336
18	PROGRAMAS PARA LA MUJER		LA PAZ	784711 - 784942	784942	7338
19	CENTRO DE EDUCACION POPULAR OHANA		LA PAZ	353855 - 373950	391892	9989
20	FUNDACION SARTAWI		LA PAZ	329270	419598	1862
21	FUNDACION SUIZA DE COOPERACION TECNICA PARA EL DESARROLLO		LA PAZ	824236	824236	4679
22	ASOCIACION YANAPANACU		LA PAZ	794803	6339	6339
23	CENTRO DE DESARROLLO AGROPECUARIO		COCHABAMBA	258547	252559	650
24	CENTRO DE INVESTIGACION SOCIAL Y TRABAJO EN EQUIPO MULTIDISCIPLINARIO		LA PAZ	815557	815557	15038
25	PROGRAMA DE PREVENCIÓN PARA NIÑOS DE Y EN LA CALLE		LA PAZ	811895 - 810079	811446	9772
26	FUNDACION PARA ALTERNATIVAS DE DESARROLLO		LA PAZ	327171 - 323836	431471	14927
27	INSTITUTO POLITECNICO TOMAS KATARI		CHUQUISACA	62447 - 61352	62768	158
28	UNION NACIONAL DE INSTITUCIONES PARA EL TRABAJO DE ACCION SOCIAL		LA PAZ	353048 - 417218	391365	8686
29	FUNDACION BOLINVEST		LA PAZ	411717	414535	141
30	CENTRO DE EDUCACION Y DESARROLLO INTEGRAL DEL CAMPESINO		SANTA CRUZ	341685	526168	4901
31	COOPERACION DE INSTITUCIONES PRIVADAS DE APOYO A LA MICROEMPRESA		LA PAZ	378150	378150	8918
32	CENTRO DE FOMENTO A LAS INICIATIVAS ECONOMICAS		LA PAZ	322833	322850	7524
33	ASOCIACION DE INSTITUCIONES FINANCIERAS PARA EL DESARROLLO RURAL		LA PAZ	432667	322656	13241
34	FONDO DE DESARROLLO COMUNAL		SANTA CRUZ	520740	536069	1168
35	FUNDACION BOLIVIANA PARA EL DESARROLLO DE LA MUJER		SANTA CRUZ	352101	362417	3501
36	CENTRO DE PROMOCION DE LA MUJER GREGORIA APAZA		LA PAZ	840351	840244	12571
37	INSTITUTO PARA EL DESARROLLO DE LA PEQUEÑA UNIDAD PRODUCTIVA		LA PAZ	433647	491547	14236
38	ASOCIACION MENDONITA DE DESARROLLO ECONOMICO		SANTA CRUZ	361634	330163	3086
39	CENTRO DE SERVICIOS INTEGRADOS PARA EL DESARROLLO URBANO		LA PAZ	853665	821552	11514
40	FUNDACION PARA LA PROMOCION Y DESARROLLO DE LA MICROEMPRESA		LA PAZ	396950	396950	13963

DIRECTORIO DE INSTITUCIONES

Nº	INSTITUCION	CONTACTO	DIRECCION	TELEFONO
1	Vicemin. de Microempresa	Lic. Marcebal Alcocer	Calle Pinilla esq. Ascarunz Nº 535	414217
2	Vicemin. de Industria y Comercio Interno	Lic. Brenda Flores	Av. Camacho	343404
3	Servicio de Asistencia Técnica	Marcia Mendez	Av. Camacho	310031
4	INBOPIA	Lic. Graciela Ursueta	Av. Camacho	364093
5	Vicemin DDM Part. Popular	Lic. Satil Sonuco	Calle Ecuador casi esq. Rosendo Gutierrez	412741 - 416040
6	Vicemin Apoyo Desarrollo Integral	Cap. Romel Morón	Av. 20 de Octubre Edf. Min. de Defensa 8º piso	432525 - int. 4811
7	Vicemin de Turismo	Ing. Edgar Torrez Saravia	Palacio de las Comunicaciones piso 10	358213
8	Vicemin Inver. Pub. Fin. Exter	Lic. Mariánela Zeballos	Palacio de las Comunicaciones piso 11	360087
9	Vicemin. De Presupuesto y Contaduría Pública	Lic. Ramiro Cavelero Uriona	Ministerio de Finanzas	373350
10	Vicemin. de Relaciones Exteriores y Cuito	Lic. Fernando Messmer Trigo	Palacio de las Comunicaciones	336200
11	Vicemin Desarrollo Alternativo	Lic. José Decker Marquez	Av. 14 de Septiembre entre calles 7 y 8. Obrajes	783534
12	Vicemin Asuntos Financieros	Lic. Marisol Fernandez	Ministerio de Finanzas	373350
13	FONDESIF	Lic. José Abel Martínez - Secretario Ejecutivo	Edf. Banco Central de Bolivia piso 6	374151
14	FONADAL	Lic. Benavides	Av. 14 de Septiembre entre calles 7 y 8. Obrajes	786405
15	FIS	Lic. Guillermo Roca	-	412474
16	CAMEX LA PAZ	Lic. Ximena Escobar Villarroel	Av. Arca Nº 2021, esq. Goitia	440998
17	CEPROBOL	Lic. Elisa Paredes Aylón	Calle Mercado Nº 1326, Edf. Mariscal Ballivián Piso 18	336886

APPENDIX 4

Abbreviations Used in This Work

ABREVIACIONES EMPLEADAS

INE	Instituto Nacional de Estadística
CIPAME	Corporación de Instituciones Privadas de Apoyo Empresarial
CEDLA	Centro de Estudios de Desarrollo Laboral y Agrícola
PIB	Producto Interno Bruto
PROSAT	Proyecto de Servicios de Asistencia Técnica
CEPROBOL	Centro de Promoción Bolivia
APEMIN	Apoyo a la Pequeña Iniciativa Minera
COBOLCA	Comité Boliviano del Café
SAT	Servicio de Asistencia Técnica
INBOPIA	Instituto Boliviano de Pequeña Industria y Artesanía
PROFOM	Proyecto de Fomento de la Pequeña Industria y Artesanía
PROMMI	Programa de Apoyo a la Micro Industria
VIMADI	Viceministerio de Apoyo al Desarrollo Integral
FNDR	Fondo Nacional de Desarrollo Regional
FIS	Fomento a las Iniciativas Económicas
VICI	Viceministerio de Industria y Comercio Interno
CAF	Corporación Andina de Fomento
SBEF	Superintendencia de Bancos y Entidades Financieras
FONDESIF	Fondo de Desarrollo al Sistema Financiero y Apoyo al Sector Productivo
NAFIBO	Nacional Financiera Boliviana
ONG	Organización No Gubernamental
INFOCAL	Instituto Nacional de Formación y Capacitación Laboral.
FUNDES	Fundación para el Desarrollo Sostenible
INASET	Instituto de Asistencia Social y Tecnológica
CIPCA	Centro de Investigación y Promoción del Campesinado
RITEX	Régimen de Internación Temporal
HIPC	Programa ampliado de Alivio a la Deuda Externa
JETRO	Organización Oficial del Japón para el Comercio Exterior
MERCOSUR	Mercado Común del Sur

APPENDIX 5

Proposed Plan of Action

PLAN OF ACTION

1. Introduction.

This document sets forth our recommendations for JICA on how to carry through the implementation of the Program of support to the increment of competitiveness in urban and rural Micro and Small industrial enterprises.

The ensuing strategic components constitute the nucleus of the Program:

COMPONENTS OF THE PROGRAM OF SUPPORT TO INCREMENT OF COMPETITIVENESS OF Ms and PEs

PROGRAM COMPONENTS	CONSTITUTING ELEMENTS
Support and Consolidation of Institutions	<ol style="list-style-type: none">1. Assistance in the promotion of a normative and legal environment propitious to competitiveness.2. Support to the formulation and consolidation of systems of capacitating, technical assistance and technological transfer.3. Support to Institutional Strengthening
Assistance to the growth of urban Ms and PEs	<ol style="list-style-type: none">1. Assist in the generation of Subcontracting processes.2. Assist in the establishment and growth of consortia.3. Support to local commercialization and exportation.
Assistance to the growth of rural Ms and PEs	<ol style="list-style-type: none">1. Support to industrial agriculture.2. Support to productive townships.3. Support to local commercialization and exportation.

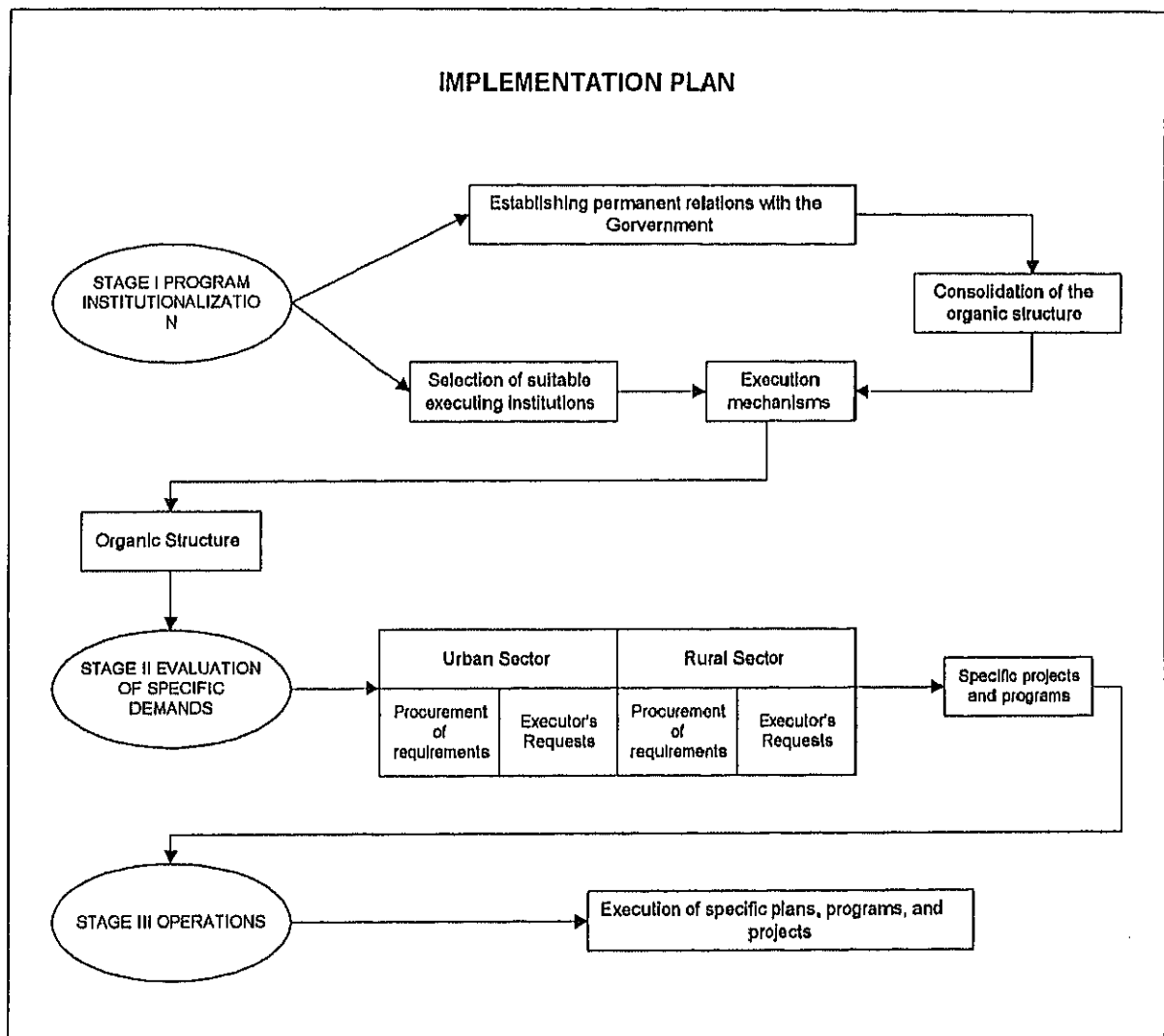
We believe that the implementation of the Program, following the foregoing recommendations, will demand a long-term commitment from the government of Japan to achieve its purpose of gaining competitiveness for the Ms and PEs in our country.

2. Plan of Action.

The proposed plan of action contemplates three stages, from an institutionalization stage for the Program to the stage of execution and evaluation. The likely stages are the following:

1. Institutionalization of the Program
2. Evaluation and identification of specific demands.
3. Operations.

The graph below depicts the three stages:



2.1. First Stage – Institutionalization of the Program

The general objective of this stage is:

To establish a cooperation agreement with the Bolivian Government to carry out the program of support to increment of competitiveness of Ms and PEs.

The main activities to perform in this stage are:

Establishing relations with the Bolivian Government.

- Presenting the Program to the Bolivian Government.
- Negotiating the signing of the agreement.
- Signing the agreement.

Selecting Executing Institutions.

- Determining who will be the main counterpart on the side of the Bolivian Government for the execution of the program; (we suggest the Vice Ministry of Micro businesses.
- Deciding in agreement with the main counterpart, who, between private and/or public institutions, will be chief executors of the program, and for which specific items.
- Defining the organizational framework for the execution of the program for JICA and for the Bolivian Government.

Executing Mechanisms.

- Formulation of norms and mechanisms of procedure between JICA and its Bolivian counterpart, and between the latter and public or private executors.
- Establishing control and evaluating mechanisms on the effectiveness of the Program and an assessment of its impact.
- Privileging, on the part of the Bolivian State, the attention to industrial businesses, services, and geographic zones (the suggestions set forth in this paper could be useful at this stage).

2.2. Second Stage – Evaluation of Specific Demands.

In this stage the Institutions in charge can establish precisely the specific demands of each of the potential executors of the program. These demands the Institutions can fulfill if they are within the framework of policies set forth in the Program and if they meet the established priorities for their execution.

The components in this second stage are:

Procurement of requirements

The Program receives specific demands that, adjusted to the Program's directives, and with JICA's approval, will allow for an operative plan of execution from the Bolivian Counterpart.

- The Bolivian Government defines priorities in relation to preferred economic sectors that will receive services first.
- Priority of services in relation to geographic or territorial considerations.
- Established mechanisms of procedure.

Requests.

In agreement with defined policies and priorities the Institutions in charge will receive requests that may support:

- The introduction of programs and/or projects in favor of Ms and PEs.
- Consolidation of programs and/or projects in favor of Ms and PEs.

2.3 Third Stage – Operations.

This stage corresponds to the execution of the program and it is related to the following points:

- Execution
- Presentation of reports on results
- Evaluation of impact and results
- Detection of new needs.

GENERAL OBJECTIVE OF THE PROGRAM
SUPPORT THE INCREMENT OF COMPETITIVENESS IN MICRO AND SMALL
URBAN AND RURAL INDUSTRIAL ENTERPRISES

STRATEGIC LINE	SPECIFIC OBJECTIVE	GOALS	INDICATORS	PRIORITY OF EXECUTION
<p>Advancement and consolidation of Institutions</p>	<p>Assist in the adjustment and formulation of regulations and laws, standards of quality and norms for the enterprises</p>	<p>Achieve the formulation of rules of accreditation for all institutions working for Ms and PEs.</p> <p>To know and to disseminate among export enterprises or with exports potential the principal regulations that govern international commerce.</p> <p>Institute quality and environmental norms for Ms and PEs (Standards ISO9000 - Standards ISO14000)</p> <p>To have a database of quality and environmental norms.</p> <p>To have laboratories internationally sanctioned to uphold the application of environmental and quality norms.</p> <p>Support, with the concourse of the Bolivian Government, ten of the main operators of capacitating and technical assistance services.</p>	<p>Assimilation of Japan's experience through sending there a grant holder from the Vice Ministry of Microbusinesses and another one from the Technical Assistance Service. Advice from an expert on quality standards regulations and norms for the Bolivian Government. A complete study that establishes the quality level of non-financial services in the country. An officially sanctioned document of quality standards that makes possible the accreditation of Institutions.</p> <p>Government Representatives, NGOs, and Businesspeople learn about Japanese norms for international commerce. JETRO expert cooperates with CEPROBOL Data Base of the more important norms.</p> <p>Government officials, NGOs, and Businesspeople get to know Japanese companies applying environmental norms and international quality standards. Japanese volunteers cooperating with businesses.</p> <p>Japanese expert assisting on the creation of a computer-based data base specialized in quality and environmental standards.</p> <p>There are the base structure and the equipment to certify that quality, and that quality and environmental standards are being met.</p> <p>Knowledge of how Japan's capacitating Institutions operate in assisting small enterprises. Japanese consultants and volunteers advising NGOs on educational issues. Equip NGOs to expand and improve their work. NGOs using machinery and industrial equipment for all processes of technical training. Supplementary infrastructure to assist in Ms and PEs capacitating and technological transfer.</p>	<p>Priority "C"</p> <p>Priority "B"</p> <p>Priority "B"</p> <p>Priority "B"</p> <p>Priority "B"</p> <p>Priority "A"</p>

STRATEGIC LINE	SPECIFIC OBJECTIVE	GOALS	INDICATORS	PRIORITY OF EXECUTION
		<p>Promote processes of transfer of technology to Ms and PEs.</p> <p>Promote the exchange of machines and equipment on credit or leasing to Ms and PEs to impel technological leaps.</p> <p>Support the formulation of public policies that stimulate the work of Ms and PEs.</p> <p>To create a computerized market and norms system.</p> <p>Improve the quality of services that private and public institutions provide to Ms and PEs.</p>	<p>Japanese experts and volunteers working in selected firms to achieve technological transfer. Completed studies that establish the best way to achieve technological leaps in selected Ms and PEs.</p> <p>Program of credit and leasing operating through a financial entity specialized in micro financing.</p> <p>Bolivian Government officials know Japan's public policies and adjust these to the Bolivian context. Bolivian Government officials are trained to formulate public policy. Japanese experts counsel the Bolivian Government on the formulation of public policies.</p> <p>Japanese experts counsel the Bolivian Government on the process of creating the information system. There is adequate equipment to manage the information system.</p> <p>Personnel trained in Japan in service quality. Japanese experts that promote higher service quality.</p>	<p>Priority "A"</p> <p>Priority "C"</p> <p>Priority "A"</p> <p>Priority "B"</p> <p>Priority "A"</p>
<p>Support to the Growth of urban Ms and PEs</p>	<p>Uphold the formulation of processes of cooperation and alliances of horizontal and vertical nature in productive chains.</p>	<p>Achieve the generation of subcontracting processes between large local firms and Ms and PEs.</p> <p>Get international subcontracting contracts</p> <p>Sponsor the creation of a subcontracting exchange board</p>	<p>Japanese model of subcontracting appropriated. Experts and volunteers help businesses consolidate productive and commercial relations. Completed a diagnosis study to determine subcontracting needs.</p> <p>Technical assistance, capacitating fully operational. Adequate infrastructure in free trade zones.</p> <p>Japanese model fully appropriated Experts counseling on the constitution and operation of the exchange board. There is computerized equipment for exchange operations. Exists infrastructure for exchange operations.</p>	<p>Priority "B"</p> <p>Priority "C"</p> <p>Priority "B"</p>

STRATEGIC LINE	SPECIFIC OBJECTIVE	GOALS	INDICATORS	PRIORITY OF EXECUTION
	Promote the expansion and consolidation of Ms and PEs consortia.	Achieve the setting up and consolidation of Ms and PES consortia.	<p>Capacitating, technical assistance and technology transfer fully operative.</p> <p>Experts and volunteers assisting in the organization of consortia and in the analysis of the productive offer and of sources of supplies.</p> <p>Machinery and equipment on demand for consortia.</p> <p>Existing auxiliary commercial infrastructure for consortia.</p>	Priority "B"
	Promote the advancement of commercial skills so as to let urban and rural Ms and PEs take better advantage of the opportunities in both local and international markets.	Reinforce a logistic system of assistance to commercial activities.	<p>Advice from Japanese experts in stocking, packaging, systems of physical distribution, conservation of perishable products, and others.</p> <p>Completed studies of how to improve the logistics system.</p> <p>Working infrastructure of support to rural businesses (warehouses, low temperature conservation network).</p>	Priority "B"
		Advocate the growth of local fairs to sell products of urban and rural Ms and PEs.	<p>Experts giving counseling</p> <p>Equipment and adequate infrastructure for the organization of trade shows.</p> <p>Completed studies on the types of trade shows that should be patronized.</p>	Priority "B"
Support to the growth of rural Ms and PEs.	Sponsor the expansion and consolidation of associative enterprises, whether industrial or agricultural.	Lend technical assistance and technology transfer to all types of industries (traditional or agricultural).	<p>Japanese experts and volunteers counseling studies that determined the potential transformation of raw materials into industrial products.</p> <p>Working auxiliary infrastructure.</p>	Priority "B"
	Uphold the advancement of Productive Townships	Uphold the consolidation of associative farming concerns.	<p>Capacitating and technical assistance fully operative.</p> <p>Equipment at the disposal of associative enterprises.</p>	Priority "B"
		Back the creation of a legal and normative environment propitious to rural economic activities.	<p>Experts giving advice.</p> <p>Back up equipment for municipalities.</p>	Priority "B"
		Uphold the strengthening of rural municipalities as institutions.	<p>Experts giving advice.</p> <p>Back up equipment for municipalities.</p>	Priority "B"

APPENDIX 6

Register of Funds Provided by the International Cooperation

MICRO CREDIT AGREEMENTS
In American Dollars

AGENCY	PROJECT TITLE	DATE OF CONTRACT	AMOUNT
BID	Support to the Small and Micro enterprise	11/13/98	35.000.000
	Institutional Strengthening of Cooperatives of Rural Credit	12/08/93	800.000
	Assistance to the Center of Promotion of Economic Initiative	06/12/95	180.000
	Assistance to FADES (NGO)	03/26/98	100.000
	Assistance to Cooperative Jesus Nazareno	08/14/98	100.000
	Total		36.180.000
COSUDE	Program of Popular Micro credit (Phase II)	11/01/95	1.225.000
ESP	Program of Micro credit in Bolivia	10/25/99	12.000.000
GTZ	Rural Financial System	04/01/98	2.857.000
HOL	IDEPRO credit	02/01/95	2.821.000
KFW	Financing to Micro and Small Enterprises	01/31/99	5.479.000
USAID	Program of Micro finances	09/29/95	5.661.000
	TOTAL		66.223.000

Source: Ministry of the Treasury - Vice Ministry of Public Investment and International Financing

Date: Feb/02/2000

PROGRAMS AND PROJECTS IN EXECUTION THAT HAVE A RELATION WITH MICRO AND SMALL RURAL ENTERPRISES

PROGRAM/PROJECT	COMPONENTS	BENEFICIARIES	GOALS	COST AND FINANCING (US\$)	EXECUTORS	TERMS	ADVANCE	PROGRAM (US\$)	MEDIUM TERM EXECUTION (US\$)
Rural Communities Development Project (PDCR II). It consolidates the PDCR I actions, taking over the infrastructure of support to production, and the strengthening of townships through the design of growth policies for rural towns and self-sustained, productive investments based on local demands, which are generated by processes of joint planning.	Pre-investment Studies productive capacitating and strengthening of the administration in municipalities.	Low-income communities throughout the country.	4,000,000 inhabitants	\$2,500,000 from the World Bank 1,036,000 for the MAGDR component	MAGDR - FDC Municipalities and NGOs	5 years, from 1998 to 2003	2% of the total project. 5% (in relation to the budget set for the element to be executed by the MAGDR - VMIDR.)	246,163 (MAGDR grant only)	61,003,837 (project total) 739,837 (MAGDR budget.)
National Program of Irrigation (PRONAR). Promotes the organization of the irrigation sub-sector through establishing of legal and regulatory norms for the efficient use of water resources with irrigation ends. Likewise, it intends to train human resources for the advancement of irrigation and for the expansion of the systems, in addition to improving the efficiency of investment and advocating the rational and sustainable use of water resources.	Institutional Strengthening (MAGDR, MDSF, Prefecture, FDC) Organization of water resources by way of applying the legal base and established norms. (Law of Waters, water regulations, water authority). Technical assistance, investing in microirrigation and capacitating.	12,800 families from the Atiplano, valleys, plains and the Chaco. Municipalities. Institutions involved in irrigation issues.	Technical assistance to 160 projects, incorporation of 14,000ha to the irrigation system Servicing 220 communities and raise productivity and productivity approximately by 15%. Improve quality of life of people, uphold safety in nourishment.	32.9 million from the BID GTZ, TGN, and the main Beneficiaries.	National Irrigation Program (PRONAR MAGDR). Participants: MDSMA and Prefectures	5 years, from 1997 to 2002	10% (includes components of Strengthening and Investing)	1,786,572	27,810,000

PROGRAMS AND PROJECTS IN EXECUTION THAT HAVE A RELATION WITH MICRO AND SMALL RURAL ENTERPRISES

PROGRAM/PROJECT	COMPONENTS	BENEFICIARIES	GOALS	COST AND FINANCING (US\$)	EXECUTORS	TERMS	ADVANCE	PROGRAM (US\$)	MEDIUM TERM EXECUTION (US\$) BEGINNING 2000
Project of Integrated and Participatory Rural Growth in Depressed Areas (DRIPAD). It involves the construction and rehabilitation of road structure and other works of support to production, water supply for human consumption, socio-economic infrastructure, afforestation, and training. It seeks to strengthen productive associations that includes micro businesses and milk-producing modules via facilitating credit funds.	Infrastructure of aid to production, safety in nourishment, agricultural and stockbreeding production, training, basic transformation, and small industry.	74,000 families	18,300,000 From the PMA and the TGN	DRIPAD unit, Prefectures and Municipalities	Five years, from 1997 to 2002	5% (on the component dependent from the MAGDR)	59,376 (assigned to the MAGDR component)	17,142,624 (total project)	
Integral Seed Development Project (PRODISE). Operates a system of financial backing for investigation, commercialization, production, capacitating, control, and certification of seeds. The objective is to increase agricultural productivity by introducing modified seeds of top quality potatoes, maize, wheat, beans, haba beans, barley, oats, vegetables, and fodder, making the seeds accessible to small and medium size farmers.	Investigation, Capacitating, Financing, Commercialization.	Small producers, Seed producing firms.	20,000 families, production of certified seed incremented by 50%. Increment in production of high quality seed, 30%.	16,897,232 from the COSUDE, DANIDA PASA and TGN	Executing unit of the PRODISE and Prefectures of the Departments.	5 years from 1997 to 2002	10%	3,855,408	11,352,101
Project of Technical Assistance Services for Small Producers (PROSAT). It assists farming communities in identifying their needs of technical assistance while informing and educating them on the available supply of private purveyors of these services.	The share of the MAGDR includes: strengthening of human resources and municipalities, support to production, promote the expansion of private technical assistance and administration services, capacitating on the supply and demand of technical services and technology transfer.	The families of small producers.	Capacitating to 28,000 families from nearly 300 communities, 380 technical services firms, 3,000 farming leaders and 850 professionals.	13,273,246 financed by the FIDA, TGN, the main beneficiaries and the Prefectures. The MAGDR receives 1,200,000	PROSAT - Prefectures and beneficiaries.	Six years from 1998 to 2004	1% (only the component depending of the MAGDR - VMIDR)	238,428 (Granted to the MAGDR component)	12,902,085 (total project); 828,840 (that belongs to the MAGDR)

PROGRAMS AND PROJECTS IN EXECUTION THAT HAVE A RELATION WITH MICRO AND SMALL RURAL ENTERPRISES

PROGRAM/PROJECT	COMPONENTS	BENEFICIARIES	GOALS	COST AND FINANCING (US\$)	EXECUTORS	TERMS	ADVANCE	PROGRAM 1999 (US\$)	MEDIUM TERM EXECUTION (US\$) BEGINNING 2000
Milk Development Program in the Bolivian Altiplano (PDLA). This program incorporates a series of promotional actions aimed to gain an increment in milk production in the Altiplano within a framework of economic, environmental, and social sustainable growth.	Capacitating, credit, institutional strengthening, investigation.	Small milk producers	La Paz, 6,500 families; Oruro 1,500 families. Production of 7 million liters per year (7% annual increment). To reach at the completion of the project, a herd of 22,500 cows in the region. To have milk producers own 5 cows yielding an average of 12 lit/day, a fertility rate of 65% and earnings of 10,000/year.	12,700,000 from the DANIDA and the TGN	A unit of the PDLA Program. Prefectures of La Paz and Oruro. MAGDR and milk producers.	Five years beginning June 1997	10%	2,862,214	8,567,786
Program of Investigation and Technical Assistance for Wheat Producers (PROTRIGO). Intends to impulse the production of Wheat in the country through investigation and technical assistance.	Investigation and Technical Assistance	Wheat Producers	650 small wheat producers	5,604,018 financed by the PASA (UE) PL- 480 and Prefectures	PROTRIGO unit (CLAT - SCZ)	Five years from 1999 to 2003	3%	1,500,570	3,935,327
Program of Support to Rural Enterprises (PAER). Seeks to promote technical assistance to rural micro enterprises of farming background for their organization and/or strengthening. The objective is to instill the concept of competitiveness in agricultural production with these micro enterprises before their insertion in the marketplace.	Technical Assistance, capacitating and institutional strengthening (administration, management, business organization).	Communities and farmers' families organized in rural micro enterprises	1000 families in 210 micro businesses	2,040,000 financed by DANIDA	MAGDR/VIDR Prefectures	Two years from 1998 to 2000	45%	800	322

PROGRAMS AND PROJECTS IN EXECUTION THAT HAVE A RELATION WITH MICRO AND SMALL RURAL ENTERPRISES

PROGRAM/PROJECT	COMPONENTS	BENEFICIARIES	GOALS	COST AND FINANCING (US)	EXECUTORS	TERMS	ADVANCE	PROGRAM (999 US\$)	MEDIUM TERM EXECUTION (US\$)
Program of support to Rural Economic Development (PADER). Aimed to promote economic growth in the rural population by means of assisting in the administration of municipalities, and promoting strategic alliances in productive areas, with the end objective of achieving productive townships.	Capacitating and technical assistance in municipal management based on capacitating demand generated at this level.	Municipal government of depressed regions with poverty-stricken populations.	100 townships	1,505,000 from COSUDE (840,000) and Prefectures (665,800)	Executing Units of PADER/ MAGDR/ VMOR	Four years from 1997 to 2001	35%	542,201 from COSUDE and 150,000 from the Prefectures	286,569
Center of Investigation and Fish-farming Development in the Altiplano (CIDPA), consolidation phase. Repopulating of trout and native species. Capacitating to producers. Implementation of the ecological assessment of native species and of technologies of mass reproduction.	Extension, capacitating and production of fry.	Small fishermen and trout producers from around Lake Titicaca.	5,500 families	100	MAGDR/ CIDPA - JICA	One year, 1999.	Not yet executed for lack of TGN's counterpart	77,99	N/A
Formulation of Processes of Integration and International Agricultural and Stockbreeding Commerce (PICEA). It will identify integration processes of which the country partakes, and the best way to enter international markets with our products. It will initiate international negotiations and build a database to monitor and evaluate its performance.	Elaboration of studies on the processes of integration and construction of a database.	Producers that generate surplus from operations.	20,000 producers	75,080 from PASA (UE)	MAGDR	One year 1999 2000	5%	34,958	36,368
Especial Program of Nourishment Safety (FESA). Its objective is to identify micro and macro factors in the process of transformation and production that limit the assimilation of technology on the part of the producers, and to find mechanisms to strengthen the producers' organizations.	Transformation of technology, technical assistance and credit.	Organizations of producers	5,000 farming families.	991,516 from the FAO	MAGDR	Four years from 1996 to 1999	93%	70	

PROGRAMS AND PROJECTS IN EXECUTION THAT HAVE A RELATION WITH MICRO AND SMALL RURAL ENTERPRISES

PROGRAM / PROJECT	COMPONENTS	BENEFICIARIES	GOALS	COST AND FINANCING (US\$)	EXECUTORS	TERMS	ADVANCE	PROGRAM IN \$ (US\$)	MEDIUM TERM EXECUTION (US\$) BEGINNING 2000
Water, Farming land Program (ATICA). The program advocates the sustainable exploitation of Renewable Natural Resources in concert with municipal areas of the inter-Andean valleys of Chuquisaca and Cochabamba.	Strengthening social organizations and town governments. Contribute to improve management of natural renewable resources. Efficient use of combined land and water resources.	Selected social Organizations and Municipal governments from Cochabamba and Chuquisaca. Farmers from the inter-Andean valleys of Chuquisaca and Cochabamba.	10 Municipalities in Chuquisaca. 10 Municipalities in Cochabamba	7,623,478. From COSUDE 5,000,000 and Central Government 2,215,000. Chuquisaca Prefecture (PLAFOR) 331,478; Prefecture of Cochabamba (PROFOR) 77,000.	ATICA Prefectures of Cochabamba and Chuquisaca.	1989 - 2002	Its execution began in July of 1989	1,837,978	8,785,850

