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BOLIVIAN TRADE AND BUSINESS COMPETITIVENESS

FINAL REPORT 2003 – 2005

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Implemented by the Chemonics Consortium GBTI IQC,
Chemonics International Inc. with Crimson Capital,
International Law Institute, PRIME International, and The Services Group

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ACRONYMS

ABC	Acuerdo Boliviano de Competitividad (Bolivian Competitiveness Agreement)
ASARBOLSEM	Bolivian Artisan Association "Señor de Mayo" (Asociación Artesanal Boliviana Señor de Mayo)
ATPA	Andean Trade Preference Act
ATPDEA	Andean Trade Promotion and Drug Eradication Act
CADEX	Cámara de Exportadores de Santa Cruz (Santa Cruz Chamber of Exporters)
CADEXCO	Cámara de Exportadores de Cochabamba (Cochabamba Chamber of Exporters)
CADEXNOR	Cámara de Exportadores del Noroeste (Northwest Chamber of Exporters)
CADEXOR	Cámara de Exportadores de Oruro (Oruro Chamber of Exporters)
CAMEX	Cámara de Exportadores de La Paz (La Paz Chamber of Exporters)
CANEB	Cámara Nacional de Exportadores de Bolivia (National Chamber of Exporters of Bolivia)
CCEB	Comercio y Competitividad Empresarial en Bolivia (Trade and Business Competitiveness in Bolivia)
CDC	Consejo Departamental de Competitividad (Departmental Competitiveness Council)
CEPROBOL	Center for the Promotion of Bolivia (Centro de Promoción Bolivia)
CONAMYPE	Confederación Nacional de la Micro y Pequeña Empresa (National Confederation of Micro and Small Enterprises)
DCA	Development Credit Authority
FBPC	Bolivian Productivity and Competitiveness Forum (Foro Boliviano de Productividad y Competitividad)
FTA	U.S. - Andean Free Trade Agreement
FTAA	Free Trade Area of the Americas
IBCE	Instituto Boliviano de Comercio Exterior (Bolivian Foreign Trade Institute)
IBNORCA	Bolivian Institute of Standardization and Quality (Instituto Boliviano de Normalización y Calidad)
INBOPIA	Bolivian Institute of Small Industry for Handicrafts (Instituto Boliviano de Pequeña Industria de Artesanía)

MCEI	Ministerio de Comercio Exterior e Inversión (Ministry of Foreign Trade and Investment)
MDE	Ministerio de Desarrollo Económico (Ministry of Economic Development)
MRREE	Ministerio de Relaciones Exteriores y Culto (Ministry of Foreign Affairs)
MSE	Micro and Small Enterprise (Micro y Pequeña Empresa [MYPE])
SAT	Servicio de Asistencia Técnica (Technical Assistance Service)
SBPC	Sistema Boliviano de Productividad y Competitividad (Bolivian Productivity and Competitiveness System)
SECO	Swiss State Secretariat for Economic Affairs
SENAPI	Servicio Nacional de Propiedad Intelectual (National Intellectual Property Service)
SIVEX	Bolivian System of Export Procedures (Sistema de Ventanilla Única de Exportación)
SME	Small and Medium-sized Enterprise (Pequeña y Mediana Empresa [PYME])
UDAPE	Unidad de Análisis de Políticas Sociales y Económicas (Economic and Social Policy Analysis Unit)
UDO	Unidad de Organización (Organization Unit)
UGR	Unidad de Gestión y Reforma (Management and Reform Unit)
UNDP	United Nations Development Program
UPC	Unidad de Productividad y Competitividad (Productivity and Competitiveness Unit)
USAID	United States Agency for International Development
USTR	United States Trade Representative
[TC]2	Textiles/Clothing Technology Corporation
VICE	Viceministerio de Industria, Comercio y Exportaciones (Vice-ministry of Industry, Commerce, and Exports)
VRECE	Viceministerio de Relaciones Económicas y Comercio Exterior (Vice-ministry of Economic Relations and Foreign Trade)

EXECUTIVE SUMMARY

In recent years, Chemonics International, together with Crimson Capital, The International Law Institute, PRIME International, and The Services Group, has carried out the first phase of the **Bolivian Trade and Business Competitiveness** Project (BTBC). This project has been implemented by USAID/Bolivia's Economic Opportunities Office in accordance with the Strategic Objective "increased income for Bolivia's poor." The objectives of the project, which was implemented from February 2003 to July 2005, were to improve the competitiveness of Bolivian companies in the clothing, wood manufactures, jewelry, and leather manufactures industries, thereby stimulating an increase in exports, jobs, and income.

In just over two years and with modest resources, the BTBC project generated more than \$21 million in new manufactures exports and created 1,307 direct jobs which, in turn, are estimated to have created more than 1,960 indirect jobs, benefiting more than 16,000 people. In addition, the project integrated 109 small and medium-sized enterprises (SMEs) into the export production chains of the priority sectors, and trained over 4,300 people, with direct effects on product quality and the competitiveness of the production process.

These outcomes were the result of innovative activities and methodologies to fulfill project objectives but, at the same time, can be attributed to the project's flexibility and ability to adapt its practices to the economic reality of the Bolivian productive sector.

In 2002, prior to project initiation, Bolivian exports were characterized by inertia and low growth rates. Exports to the United States were in a downward trend that began in 1996 and did not change until 2002, when they were valued at \$158 million.

The 2000 Global Competitiveness Report covering 58 countries showed that Bolivia was lagging behind in the area of competitiveness. While its macroeconomic indicators were in the intermediate range, it occupied the lowest rungs in the areas of technology, management, and institutions. Concerns in these three areas led to the implementation of the BTBC project.

In this context, Chemonics structured the project to respond to emerging challenges: not only those contained in the contract, but also those posed by the Bolivian reality which, in recent years, has been marked by institutional instability and a difficult economic situation.

The BTBC project adopted a flexible methodology that involved constant interaction with public and private sector actors. The key elements underlying the success of the project included: close collaboration with governmental authorities, including high-level officials and technical personnel; coordination with other cooperation entities; partnerships with local institutions for training, communications strategies, and so forth; and the close collaboration and support of USAID/Bolivia. From the beginning, these aspects were complemented by constant contact with private sector entities in order to work together in planning activities to benefit the export sector. Finally, and perhaps most importantly, the BTBC project enjoyed the support of prominent and reputable national and international experts who provided technical assistance to the production units. The credibility of these experts in the eyes of beneficiary companies, coupled with the outcomes achieved during the course of the project, was key to attaining the proposed objectives.

IMPROVED BUSINESS ENVIRONMENT

One of the first challenges facing the project and Bolivian government authorities was to make up for lost time by developing a strategy to benefit from the Andean Trade Promotion and Drug Eradication Act (ATPDEA). In addition to its involvement in the development of this strategy, the BTBC project helped identify and assist the beneficiary production units, which were primarily SMEs. To publicize the strategy, the BTBC project supported a national publicity campaign by developing eight descriptive and educational brochures containing information about the ATPDEA's potential benefits for local producers. The project also assisted in the publication of new editions of the Exporters Manual (*Guía para Exportadores*) and the Investors Manual (*Guía para Inversionistas*).

In the area of *Intellectual Property*, an area where Bolivia lags well behind other countries in the region, the contribution of the BTBC project was gradual and ongoing, always responsive to government signals. As a first step, three extensive studies were completed on the

theoretical, legal, and institutional intellectual property framework at the national and international levels. Subsequently, the project developed a proposal to reorganize and strengthen the National Intellectual Property Service (SENAPI). This proposal was used as the basis for Executive Decree 27938 of December 2004, which redesigned SENAPI with a more efficient structure and set forth the legal framework applicable to intellectual property. Finally, the project initiated an institutional reform including organizational systems, a computer platform, and the processing of a backlog of over 9,000 intellectual property cases.

In support of an initiative of the country's chambers of exporters—originally managed by the La Paz Chamber of Exporters (CAMEX)—the “*Bolivia Exporta, Bolivia Crece*” campaign was carried out. This campaign generated favorable public opinion toward exports and trade agreements, thereby improving Bolivia's prospects for eventually joining a free trade agreement (FTA) with the United States or the Free Trade Area of the Americas (FTAA). This new public opinion climate was measured through qualitative and quantitative evaluation and monitoring studies. The messages created for mass dissemination had an emotional impact, instilling positive feelings toward the country and its economic and productive situation.

The events of October 2003 not only altered Bolivia's political and social agenda, but created problems in the government's institutional framework. The BTBC project decided to support national government initiatives to develop a national Economic Plan. It hired consultants who worked with the Ministry of Economic Development and the Ministry of Energy and Hydrocarbons to improve the legal regime for exports, implement the “Compro Boliviano [“I Buy Bolivian”] program, strengthen the Bolivian Productivity and Competitiveness System (SBPC), and conduct a comparative study of international fiscal and royalty systems in the hydrocarbons sector.

In the context of the Free Trade Area of the America (FTAA) negotiations, and in response to a national government initiative, the project contributed, along with other donors, to the development of the *Bolivian Strategy to Build Trade-Related Capacity*. This strategy was subsequently adapted for the FTA negotiations launched in May 2004, to which Bolivia is an observer country. In addition, given the need to evaluate the potential impact of the FTAA and other economic liberalization processes on the Bolivian economy, the following studies were conducted: Impact Study: The FTAA's Opportunities and Threats for the Bolivian Economy; and Bolivian Soybeans Toward the Free Market of the Americas.

In order to strengthen Bolivian capacity in areas such as integration, economic opening, and trade negotiation processes, the project contracted Florida International University to conduct three workshops on international negotiations for government officials and private sector representatives.

Based on the assessment of Bolivia's competitiveness, the project developed activities to create *bases for improving competitiveness*, following a coordination process with the Productivity and Competitiveness Unit (UPC) and other international cooperation entities working in Bolivia.

In this vein, the project contributed the services of a consultant to restructure the SBPC, at which time the *Bolivian Productivity and Competitiveness Forum* was created as the system's highest authority and the venue for public-private collaboration on productivity and competitiveness policies. The first forum convened by the president of the republic was held on June 2-3, 2005. The BTBC project supported this effort by funding the dissemination and publicity component, and by drafting the proceedings report from the event, which set forth the activities for the following year in the area of competitiveness.

Since *streamlining procedures* is a task that remains pending—and given its importance for improving the competitive environment and promoting the formal establishment of companies by reducing time and costs—the BTBC project provided assistance for a training workshop for officials from the seven departmental governments responsible for registration processes. Subsequently, BTBC provided support for the First National Meeting on Institution-Building to Streamline Procedures for the organization units (UDOs) and management and reform units (UGRs) of the departmental governments. The purpose of the meeting was to develop written procedures and standardize formats for external procedures in all of the departmental governments in the country.

In the area of human resources training, the project carried out activities for *SME capacity-building in strategic management* through: i) refresher courses for instructors from national training institutes on production processes; ii) strategic management training for SMEs in the city of El Alto, carried out in conjunction with the Universidad Católica Boliviana “San Pablo,” specializing in management strategies; and iii) assistance to engineering students specializing in the manufacture, administration, and marketing of apparel so they could apply their research in production units. This occurred in the Alfach, Trailer, and Batos companies in Cochabamba from May to December 2004.

Other BTBC project training activities have covered a wide range of areas relating to technical assistance to companies to improve pro-

ductive processes, including production systems, machine operator training, textile printing and design, management and strategic planning, kiln-dried wood, etc. Training was also provided on using the “*Compro Boliviano*” program.

ACTIVITIES TO STIMULATE NON-TRADITIONAL EXPORTS AND EMPLOYMENT

Although activities to lay the groundwork for improved competitiveness will be reflected in economic indicators in the medium term—and should be continued in the second phase of the BTBC project—the most visible, short-term outcomes were evident in the area of technical assistance to production units.

A source of immense satisfaction for the BTBC project was the creation of 1,307 direct, skilled, and well-paying jobs which led to the creation of an additional 1,960 indirect jobs. Because of these more than 3,200 jobs, an estimated 16,000 people have benefited from the activities of the BTBC project. This constitutes a direct and sustainable contribution to poverty reduction.

In the area of exports, the BTBC project provided technical assistance to more than 50 companies in the priority sectors. This contributed to the generation of \$21.2 million over the past 2.5 years, which represented 63% of the overall increase in Bolivian exports to the United States in the following sectors: wood manufactures, textiles and clothing, leather, and jewelry. The jewelry industry accounted for the largest share of BTBC-generated exports (44%), followed by apparel (28%), and wood and wood manufactures (27%).

In addition to increasing exports, project outcomes included growth in local sales, the incorporation of SMEs into production chains, training, and job security. Through BTBC project interventions, over 110 SMEs were incorporated into export production chains and increases in local sales reached \$965,000. In the area of human resource development and strengthening, the project trained over 4,329 people, with direct effects on product quality and the competitiveness of productive processes.

Despite the limited amount of time and resources allocated for this project, these outcomes were achieved through the intensive use of instruments in the following areas: *technical assistance in production processes* (production systems, quality control, training, design and patterns, etc.); *technical assistance in administration, management, and services* (specialized workshops, instructor training programs, training for industrial mechanics, workshops for women producers of hand-knit products); *commercial contracts in external markets* (sector-specific international fairs, business missions, company agendas, etc.); and *initiatives to improve access to credit* (business plan development,

training for loan officers, innovative tools for viable financing of trading companies, proposal for a risk capital fund, workshops on financing opportunities, etc.)

BEST PRACTICES, LESSONS LEARNED, AND NEXT STEPS

There were many enriching experiences throughout project implementation, not only for the companies receiving technical assistance, but also for government institutions, the organized private sector, and the project itself. Since this was a pilot project, the proposed methodology was designed to measure desired and, in some cases, undesired impacts. There were heartening outcomes associated with technical assistance activities in the plants (preliminary assessments, customizing assistance to fit company characteristics, duration of assistance, etc.). The project also identified a need to develop intermediate indicators to measure direct outcomes in the companies. Methods such as setting up a pool of consultants to provide technical assistance to companies, establishing formal agreements with beneficiary companies through signed Memorandums of Understanding, maintaining flexibility in adapting to each company's reality, and subcontracting experienced national entities were, without question, key elements in achieving positive outcomes in just 30 months.

A source of particular satisfaction to the project is having helped introduce technological upgrades in the clothing and wood manufactures industries, two of the most dynamic export manufacturing sectors in Bolivia.

This first phase was enriching and will be immensely valuable for the implementation of the second phase of the BTBC project, as it laid the groundwork for a more fruitful effort over a longer implementation period. A comprehensive vision of productive chains—mainly in apparel and wood manufactures—that includes financial issues in the assistance provided will be critical for Bolivia's productive development, increased exports, and competitive job creation. In the second phase, the project should move from direct intervention in companies to a more comprehensive approach designed to improve competitiveness in each of the targeted sectors.

SECTION I

INTRODUCTION

A. BACKGROUND

A.1. THE ECONOMIC AND SOCIAL SITUATION IN BOLIVIA

Before 2002, Bolivia, like most countries in the region, was experiencing a difficult economic situation sparked by the 1999 crisis. In 2002, Bolivia faced a growing fiscal deficit, a constant decrease in financial intermediation services that hindered the flow of credit toward productive sectors, and persistent, increasingly acute, and unaddressed social conflicts that undermined economic recovery.

Despite the macroeconomic measures of recent years to keep inflation levels low, a relatively controlled exchange rate, and a number of economic reactivation attempts, the Bolivian economy's growth rates are not high enough to create job opportunities and reduce poverty. The poverty rate in Bolivia hovers around 63% and has changed little in recent years, despite public investment targeting social sectors. While the working age population has grown by 100,000 people annually, the number of poor people has also risen, according to UDAPE figures, at a rate of 83,000 a year. Moreover, there is evidence of increasingly inequitable wealth distribution, as measured by the Gini Coefficient, which was 0.606 in 2002.

Bolivian industrial production accounts for a minor portion of the Gross Domestic Product—just 16%. At the same time, most jobs are generated by micro and small enterprises (MSEs) which are usually in the informal sector and account for nearly 85% of urban employment. Technical development is hardly incorporated into productive sector units and workforce training in these sectors is still a matter of unfinished business in government policy.

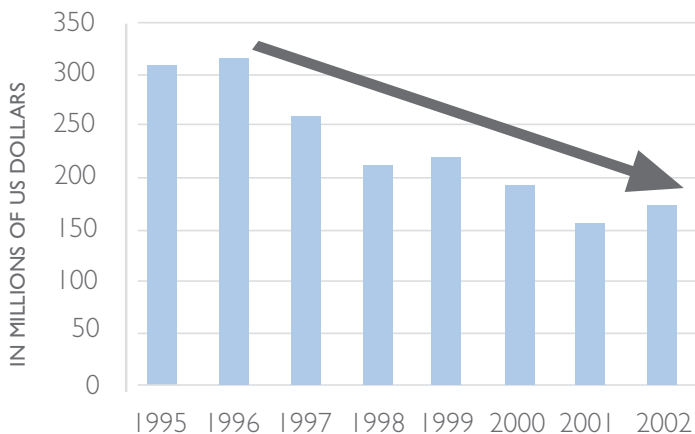
While foreign investment was, up until two years ago, a stabilizing factor in the balance of payments—in the context of an unfavorable trade balance—such investments mainly targeted capital intensive sectors with limited links to labor-generating sectors.

Despite the fact that the Bolivian economy relies heavily on the foreign sector for economic growth, in terms of foreign investment and exports, some groups espousing extreme ideological positions use unfounded discourse to oppose Bolivia's competitive insertion in economic and trade integration processes. A UNDP report observed the "rejection of a greater opening up of the Bolivian economy toward the foreign market" when evaluating the Bolivian population's predisposition to accept changes associated with development and globalization.

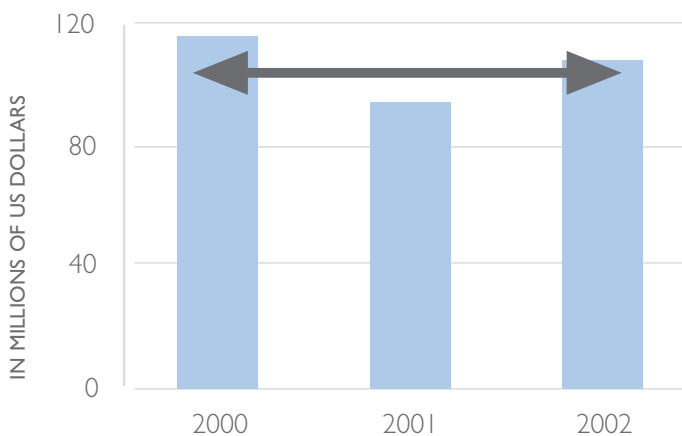
THE EXPORT SECTOR

The total value of Bolivian exports in the last 23 years increased at an average annual rate of 0.98%, with exports totaling \$1.043 billion in 1988 and \$1.305 billion in 2002. This negligible export capacity is also observed in the composition, by product, of the exportable supply: in 1980, tin, other minerals, and natural gas, accounted for 83% of all exports; in 2002, those same products, in addition to soy and its derivatives, accounted for 80% of exports.

BOLIVIAN EXPORTS TO THE UNITED STATES



BOLIVIAN EXPORTS TO THE UNITED STATES FROM PRIORITY INDUSTRIES



Exports concentrated in a limited group of basic products with similar characteristics, low levels of processing and value added, and fluctuating prices and close substitutes, among other causal factors, augments the vulnerability of the Bolivian economy, in addition to its negative trade balances and checking account deficits, which are hardly sustainable.

Bolivian exports to the United States—comprising mainly manufactured goods (including gold jewelry, textiles, apparel, and wood and leather products)—entered into a downward trend that began in 1996 and bottomed out in 2001 at \$158 million.

Exports from the priority sectors (clothing, wood, leather, jewelry) have stagnated at approximately \$110 million in the last three years. The most dynamic industry by far was gold jewelry, while the clothing industry failed to increase its exports and pinned its hopes on the ATPDEA.

A.2. COMPETITIVENESS IN BOLIVIA

According to the Global Competitiveness Report 2000, Bolivia received the following rankings in the eight competitiveness factors, based on a universe of 58 countries:

- *Openness* index (openness to foreign trade and investment, capital flows, exchange rate policy, and promotion of exports): Rank 34.
- *Government* index (public spending structure, tax system, qualifications of public officials): Rank 37.
- *Finance* index (efficiency of financial intermediaries in converting savings into productive investment, level of competency in the financial market, stability and solvency of financial entities, national savings and investment levels, and credit rating from foreign observers): Rank 43.
- *Infrastructure* index (road quality, trains, ports, telecommunications, cost of air transport and overall spending on infrastructure): Rank 47.
- *Technology* index (use of computers, technology gap, economic capacity to absorb new technologies, and the level and quality of research and development): Rank 58.
- *Labor* index (labor market efficiency and competitiveness based on its flexibility, labor cost levels, presence of distorting burdens, human resource quality): Rank 49.
- *Institutions* index (degree of competition among companies, institutional quality and reliability, levels of corruption and bureaucracy, and the presence of organized crime): Rank 57.

- *Management* index (overall management quality, marketing, staff training and incentive policies, the compensation system, and the quality of the internal financial control system): Rank 58.

As these indicators show, Bolivia was in a precarious situation in terms of competitiveness. While the country's standing in macroeconomic areas was at the intermediate level, it received the lowest ranks in technology, management, and institutions. As will be shown later, concerns in these three areas led to the implementation of the BTBC project.

A.3. BOLIVIA'S LEGAL AND INSTITUTIONAL FRAMEWORK

Under the government structure in effect until 2003, the Ministry of Economic Development had jurisdiction in matters relating to industry, exports, and investment and competitiveness, while international trade negotiations were the responsibility of the Ministry of Foreign Affairs. In this framework, operational institutions such as the Bolivia Promotion Center (Centro de Promoción Bolivia [CEPROBOL]), the Productivity and Competitiveness Unit (UPC), the Technical Assistance Service (SAT), the Bolivian Institute of Small-Scale Industry and Handicrafts [Instituto Boliviano de Pequeña Industria y Artesanía (INBOPIA)] and the Office for Export Procedures (SIVEX) were under the jurisdiction of the Ministry of Economic Development. Following a protracted period of ambiguity, however, in December 2004 CEPROBOL was transferred to the jurisdiction of the Ministry of Foreign Affairs, leading to renewed efforts to promote exports, investments, and tourism in external markets through diplomatic missions.

The Bolivian Productivity and Competitiveness System (SBPC), created in November 2001, is responsible for promoting and negotiating policies to improve the country's competitiveness. The UPC serves as the system's technical secretariat and its main tool for public-private concertation is the Bolivian Competitiveness Agreements (ABC) that inform the medium and long-term vision for production chains. The system also includes the Departmental Competitiveness Councils (CDC), charged with promoting regional visions of competitiveness. While the CDCs are gradually being developed, when the project began their objectives and organizational structure had yet to be clearly defined.

The legal framework setting forth the incentives for foreign trade is mainly found in the Investments Law, the Exports Law, and the Customs Law, which are regulated by executive decree. The principle of tax neutrality is applied to exports and to the domestic treatment of foreign investment.

In the private sector, the National Chamber of Exporters of Bolivia and its departmental chambers have expanded and organized the

exportable supply, generated policy proposals to foster exports, and promoted exporters at international trade fairs. When the project began, CANEB comprised all of the Chambers of Exporters in the country with the exception of the La Paz Chamber of Exporters (CAMEX). The sector was subsequently reunified due to the joint implementation of BTBC project activities.

A.4. OPPORTUNITIES PRESENTED BY THE ATPDEA

The August 2002 renewal of ATPA (Andean Trade Preference Act) and its implementation in October of that year constituted an opportunity for Bolivia to take advantage of the United States market, particularly in industries such as apparel and leather manufactures, which were duty free.

The ATPDEA, an updated, broader version of the ATPA, granted Andean countries duty-free entry of apparel made with regional inputs, up to a sum equivalent to two percent of the total volume of apparel imported by the United States, a figure that would increase each year until it reached five percent in 2006. In 2002, Andean exports did not exceed one percent of the North American market, which left a significant margin for growth during program implementation.

ATPDEA benefits also involve the entry of apparel made with United States inputs free of duty and free of any quantitative restrictions, limitations, or consultation levels. While this offers excellent opportunities for Bolivia, transportation costs were a major disadvantage and it was necessary to design a strategy specific to local conditions.

It was clear that one of the challenges for Bolivia, and one that relates closely to the BTBC project's sphere of implementation, was to develop entrepreneurial and institutional initiatives that would enable the country to benefit from the preferential access to the United States market set forth in the ATPDEA.

B. CHALLENGES

B.1. IMPLEMENTATION OF THE BTBC PROJECT/USAID

Since 1998, USAID/Bolivia has implemented activities in the framework of the Strategic Objective "Increased income for Bolivia's poor." USAID/Bolivia's Economic Opportunities Team administers the program, which is carried out by contractors. Until 2002, project activities focused mainly on financial services provision in low-coverage areas and on expanding access to selected agricultural markets. These efforts, along with those of other donors in the framework of macro-economic reforms, failed to reduce poverty.

In light of this reality, USAID, the Government of Bolivia, and other cooperation entities, concurred that efforts to enhance trade capacity

and improve competitiveness were crucial to spur private sector-led growth to levels that could actually reduce poverty. Moreover, trade liberalization requires developing countries like Bolivia to build their capacity in order to adequately meet its challenges.

In this context, the *Bolivia Trade and Business Competitiveness* project (BTBC) was established through Contract No. PCE-I-00-98-00015-00, Task Order No. 820, signed between USAID/Bolivia and Chemonics International Inc. on December 31, 2002. The project initiated its activities in February 2003 and terminated on July 30, 2005.

B.2. PROJECT OBJECTIVES

The project's overall objective is to help Bolivia reduce poverty through increased investment and job creation, through improvements in productivity and access to external markets. Project priorities were as follows:

Improve the business environment and operative conditions for Bolivian companies through the elimination of systemic constraints in order to improve competitiveness and help spur economic growth and exports. Factors that contribute to this productive environment include:

- Effective institutional, legal, administrative, and regulatory conditions;
- Human resource development, particularly in foreign trade and negotiation;
- Collaboration between private and public sectors, especially efforts that make use of the concessions offered by key trade agreements such as ATPDEA.

Stimulate the competitive production of goods and services and private sector exports, particularly the wood, textiles, leather goods, and jewelry industries.

Define, develop, and analyze other interventions and alternatives that could serve as the basis for a comprehensive, long-term project to improve Bolivian foreign trade capability and competitiveness on a larger scale.

B.3. CHALLENGES OF THE NEW BOLIVIAN REALITY

In addition to the project's objectives, the prevailing climate in Bolivia posed challenges that had to be addressed in a concerted fashion, inasmuch as they were fundamental to project development.

SUPPORTING BOLIVIA'S STRATEGY FOR USING THE ATPDEA

The ATPDEA's entry into effect in October 2002, virtually coinciding with the change of government in Bolivia, sparked a rapid reaction from the Andean countries (Colombia, Peru, and Ecuador) which, since

2002, have been implementing strategies for entry into the U.S. market. In contrast, Bolivia's central government had yet to implement specific measures that would enable it to take advantage of the ATPDEA. Moreover, the episodes of February 2003 to protest government measures that the population considered detrimental to the working classes led to a restructuring of the executive branch, which was obliged to show that it had plans to encourage economic reactivation.

Moreover, in order to become a beneficiary of the ATPDEA, Bolivia had to comply with the conditions set forth in the Act approved by the United States government, including those relating to intellectual property. This was a matter of concern given that Bolivia's institutions were too weak to face the challenge of establishing and implementing intellectual property standards.

INSTITUTION-BUILDING IN THE PUBLIC SECTOR

Although the Bolivian Productivity and Competitiveness System (SBPC) was created in November 2001 with the enthusiastic backing of the government, including the President of Bolivia, when the BTBC project began it was clear that the private sector was somewhat disappointed by the direction the SBPC and the UPC were taking. The change in government affected the System's continuity, first because the government had other pressing matters to attend to, and second because of attempts to have the UPC devote its efforts to short-term matters such as the Hospital de Empresas.

RAISING AWARENESS AMONG BOLIVIANS ABOUT THE IMPORTANCE OF FOREIGN TRADE FOR ECONOMIC GROWTH

Despite the obvious need for external markets as the main source of growth for the Bolivian productive sector, the population in general, and some segments of the public sector, fail to perceive their true impact on people's daily lives. At some levels of government there has been criticism of tax rebates for exports, a key element in any export policy.

DIFFICULTIES IN THE PRODUCTIVE SECTOR

Production chains in the manufacturing sector have missing links and face a number of structural deficiencies including the lack of a trained labor force specializing in productive processes and the supply of raw materials. Moreover, disparate views among regional private sector representatives hampered the identification of projects and weakened policy proposals to the detriment of the productive sector as a whole.

C. PROJECT TEAM ORGANIZATION AND METHODOLOGY

The BTBC project was structured around the core objective of “helping Bolivia reduce poverty through increased investment and job creation.” Practical in design, and intent on producing demonstrable effects, the project constantly interacted with the public and private sectors to lay the groundwork for productive dialogue and policy-making.

C.1. PROJECT TEAM ORGANIZATION

The project adopted a simple structure based on a team made up of a team leader, an improving the business environment manager, and a productive sector support manager. Most activities were implemented by outside consultants and through subcontracts with national and international entities. This lent the project flexibility to adapt its activities to private and public sector requests and support programs.

Given the characteristics of each work area, the methodology was adjusted in function of the specific objectives and the needs of the project’s public and private sector interlocutors.

Improving the Business Environment Office. This office was responsible for buttressing the regulatory and institutional framework relevant to competitiveness and foreign trade. This office constantly improved communication channels for public-private dialogue and, of particular importance in Bolivia, sought improved coordination with international entities that were implementing projects of a similar scope. It also worked on analytical initiatives conducive to a more conceptually profound examination of competitiveness and foreign trade issues.

This office was headed by an expert in investment, trade, and competitiveness policy, with the support of an assistant in charge of monitoring and implementing all activities. Given the dynamic nature of those activities, and to avoid forming a more costly permanent team, a group of expert consultants supported the areas under the purview of this office, carrying out specific short and medium range activities. The project contracted eight professionals to undertake studies, created two specialized teams of professionals from different economic fields, and signed two subcontracts for training and publicity.

This operating structure enabled the project to address the challenges in an efficient, flexible, and timely manner and, most importantly, implement activities based on coordination and consensus-building with the public and private sectors.

Productive Sector Support Office. This office was responsible for providing direct support to the productive sector in the project’s priority sectors, and identifying companies—especially medium-sized and

large—in a position to respond to the challenges of international competition. These tasks required fluid communication with private trade associations and with the government agencies responsible for supporting production units.

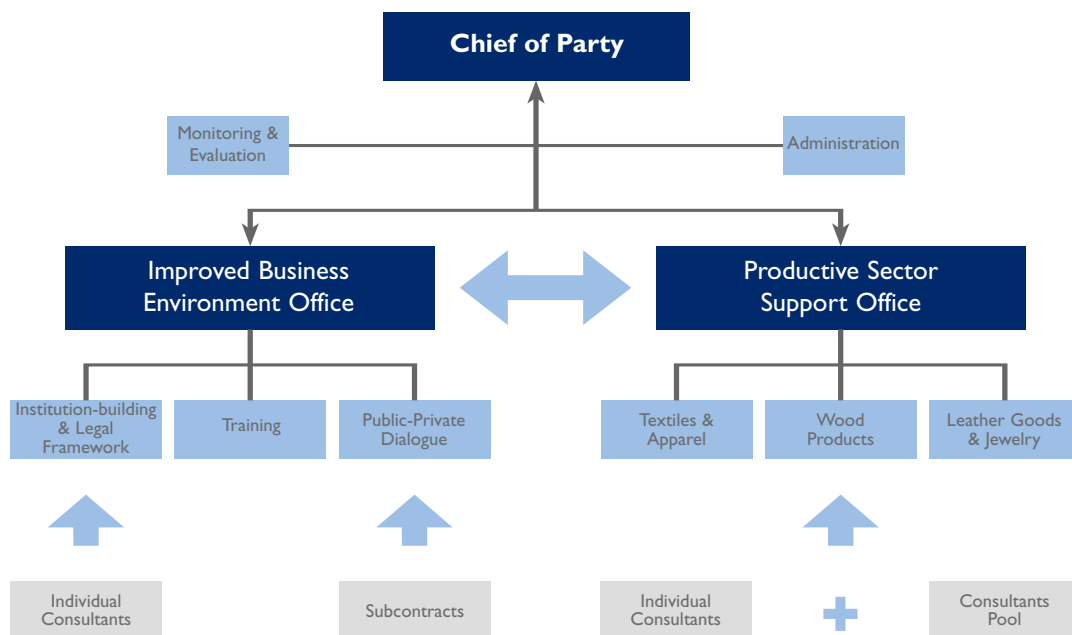
This office was headed by a productive sector expert, with the support of three sector-specific experts responsible for scheduling, coordinating, and evaluating the technical assistance for production units in the project’s priority sectors. To ensure success, these sector-specific experts had to coordinate closely and harmonize agendas with public and private sector entities.

After conducting the preliminary assessments in the companies slated to receive technical assistance, the project identified several problems common to the production units and established a range of interventions to increase their productivity. Experts in productive processes in each sector were brought in under two types of contracts:

- 1) A consultants pool of national and regional experts charged with assisting a group of companies based on a program plan and the company’s needs.
- 2) Individual consultants contracted to work on a specific issue in a particular company.

The first model was particularly useful in that it permitted enormous flexibility and rapid response times in the provision of technical assistance and enabled the project to capitalize on its growing

OPERATIONAL ORGANIGRAM OF THE BTBC PROJECT



expertise to address problems common to many companies within a particular sector.

The project also set up an administrative office to ensure effective project administration and logistics, and designated a project monitoring and evaluation officer who reported directly to the project director.

C.2. KEY FACTORS FOR PROJECT SUCCESS

To achieve project objectives and respond to the challenges described herein, the BTBC project adopted a flexible methodology and worked in constant interaction with actors from the public and private sectors and academia. The factors critical to success were:

- Technical assistance to production units was provided by consultants with excellent reputations in their fields. Because of their credibility, beneficiary companies were more willing to assume co-responsibility in financing technical assistance.
- Partnerships with local entities for training activities and communications strategies made optimal use of project resources without forfeiting the quality of the services provided and simultaneously strengthened national capacity in the provision of such services.
- From the outset, the project was in contact with private sector entities to discuss objectives, jointly design activities to benefit the export sector, and fund the main initiatives underway in that sector. This helped instill a sense of trust in the project. These contacts were gradually broadened to include institutions such as micro and small enterprises operating mainly in the informal sector.
- Coordination with cooperation entities with similar objectives and projects already in progress. This enabled the BTBC project to pinpoint activities covered by other projects so as to focus its own efforts on areas that would have a higher impact.
- Close collaboration with the government, including high-level officials and technical personnel. The latter was important for ensuring the continuity of collaboration, in light of the changes in the Ministry of Economic Development, the project's official counterpart.
- Close collaboration and fluid communication with USAID/Bolivia. This was critical to ensuring a rapid response to changes and adapting project objectives based on the new opportunities and challenges in Bolivia following the events of October 2003.

SECTION II

MAIN ACHIEVEMENTS

A. IMPROVED BUSINESS ENVIRONMENT

A. I. INSTITUTION-BUILDING AND LEGAL FRAMEWORK

A. I. I. INTELLECTUAL PROPERTY

Bolivia has one of the highest piracy rates in the region due to its weak institutional infrastructure and lack of an adequate legal regime. When the project began in 2002, Bolivia was on the United States “Watch List,” and risked forfeiting its preferential status under the ATPDEA should it fail to show significant improvement in this regard. For that reason, the project established intellectual property as a priority area to support the Government of Bolivia.

The BTBC project’s contribution was gradual and ongoing, always responsive to government signals. The first step was completed in October 2003 with three extensive studies: *Intellectual Property in Bolivia (conceptual, legal, and institutional framework)*; *Comparative Analysis: Treatment of Intellectual Property in Andean Countries*; and *Compilation: Intellectual Property Laws in Effect in Bolivia*.

In April 2004, a complete proposal was submitted for the reorganization and strengthening of the Servicio Nacional de Propiedad Intelectual (SENAPI), the official authority for intellectual property matters. That proposal is outlined in a strategic institutional reform plan (“Plan Estratégico de Reforma Institucional [PERI]”), which was presented to the Government of Bolivia for its consideration.

The proposal became a critical tool for compliance with signed agreements as well as the development of national laws and regulations governing intellectual property. Executive Decree 27938 was enacted on December 20, 2004, reorganizing SENAPI more efficiently and clearly establishing the relevant legal framework for intellectual property matters.

The BTBC project launched a pilot program to strengthen SENAPI that included: i) adjustments to the institutional layout based on the

proposed institutional reform; ii) technical support to clear out a backlog of more than 9,000 intellectual property cases; and iii) acquisition of an information technology base (information systems and equipment) to modernize and improve SENAPI's operations and services.

The pilot project contributed to significant progress: 75 percent of the backlog of 1,400 patent processes was resolved, 97 percent of the 7,720 pending trademark registration processes were resolved, and 80 percent of the 2,500 pending objections were resolved. The project anticipates that the remaining case backlog and related institutional strengthening will be finalized in the coming months once SENAPI—with BTBC project support—has installed the computer systems, evaluation, and follow-up processes, as well as the legal-economic basis to ensure that it is self-sustaining.

A.1.2. STRATEGY FOR USING THE ATPDEA

One of the BTBC project's first tasks was to join the multidisciplinary task force created by new Ministry of Economic Development to develop a strategy for using the ATPDEA. In October 2002, a consulting firm was contracted, with USAID support, to carry out a study which set forth ten measures to take advantage of the ATPDEA and identified 80 Bolivian products with the best export prospects. Nonetheless, when the BTBC project began, Bolivia had yet to implement those recommendations and still lacked a strategy for using the ATPDEA, in contrast to Colombia and Peru, which had prepared their plans even before the law was enacted.

The strategy, entitled "Plan de Acciones Inmediatas y de Corto Plazo" assigned priority to the same sectors as the BTBC project (textiles and apparel, secondary wood products, leather goods, and jewelry) and

THE BTBC PROJECT SUPPORTS INTELLECTUAL PROPERTY RIGHTS IN BOLIVIA

Given the importance of intellectual property rights in international trade, the BTBC project provided concerted support for legal and institutional strengthening in this area. The goal was to remove Bolivia from the list of intellectual property rights violators, according to evaluations by the U.S. Trade Representative (USTR) and ward off trade sanctions that would preclude Bolivia from using the advantages granted by the ATPDEA.

Initially, the project negotiated with the executive branch to get Congress to integrate the Patent Cooperation Treaty into domestic law. It also ensured that the executive decree governing the Servicio Nacional de Propiedad Intelectual (SENAPI)

stated that the applicable intellectual property rights legal regime was that emanating from the common standards adopted by the Andean Community of Nations, which reflect WTO requirements.

In addition, the BTBC project designed a proposal for the modernization of SENAPI and is currently assisting with its implementation. This has made it possible to virtually eliminate the backlog of nearly 12,000 case files, including those involving patents, trademarks, and objections. It is expected that with the support of the BTBC project, Bolivia will eventually boast the most modern intellectual property service of the Andean Community.

included the following components: i) tax incentives for companies currently exporting products and for subcontracting with SMEs; ii) tax incentives for new investments in industrial plants; iii) training and support for the formal establishment of micro enterprises; iv) funding mechanisms for SMEs (Factory Centers [Maquicentros] Fund); v) shared risk fund for the ATPDEA; and vi) campaign to publicize the strategy.

In addition to its involvement in the development of the strategy, the BTBC project helped identify and assist beneficiary production units, most of them SMEs. It funded the national publicity campaign through eight descriptive and educational brochures with information about the ATPDEA's potential benefits for local producers, and through the publication of new editions of the Exporters Manual and the Investors Manual. The brochures covered issues such as frequently asked questions about the ATPDEA, export financing, how to create a business plan, the establishment of factory centers (maquicentros), formal registration of SMEs, and quality control in the apparel industry.

A.1.3. INTERNATIONAL TRADE NEGOTIATION PROCESSES

Trade capacity-building. The BTBC project, in conjunction with other international donors including the IDB, contributed to the design of the Bolivian Trade Capacity-Building Strategy. This document was initially conceived in the framework of the FTAA's Hemispheric Cooperation Program for small economies. However, as the scenario shifted toward an FTA between the Andean countries and the United States, it was adapted by the Ministry of Economic Development and used as the basis for discussion in the "Trade Capacity-Building" committee, in which Bolivia participated as a full member.

Study of the potential impacts of the FTAA. In conjunction with several national government entities, the project conducted a sector-specific study, by area and integration systems, which would evaluate the various trade scenarios and their economic impacts on Bolivia in the framework of the FTAA. Such a study would offer the analytical elements necessary to develop Bolivia's position vis-à-vis the negotiation process.

An international team of consultants spearheaded this effort in an interactive process with representatives from Bolivia's public and private sectors. This made it possible to generate a serious and informed debate on the FTAA's potential repercussions, and contributed elements for public policy-making and program development to improve the competitiveness of sectors identified as having trade potential. The study also facilitated the identification of new

markets for Bolivian products, and markets that could be threatened by new competitors once the FTAA begins to operate.

Soybean Sector Impact Study. This study analyzed the potential impact of trade liberalization on soybean competitiveness, Bolivia's leading non-traditional export. The study indicated that Bolivia could try to maintain its tariff advantage in Andean markets for as long as possible, but in the medium term it should work intensively to improve productivity and agricultural and industrial efficiency, and seek out new markets, particularly in Asia. The study also provided Bolivia with actions to diversify exports and minimize the effects of competition from other vegetable oil-producing countries.

A.1.4. SUPPORT FOR THE NATIONAL ECONOMIC PLAN

In view of the need to support the government in economic policy-making, the BTBC project provided consultants to help develop the legal and regulatory framework for the Economic Plan launched by the President of Bolivia on February 1, 2004.

Legal Framework for Exports. Stemming from the implementation of the Strategy for using the ATPDEA, the Economic Plan extended export incentives to cover all non-extractive Bolivian exports, regardless of their target markets. In this regard, the BTBC project's focus on supporting export manufacturers was important in terms of the outcomes observed in the field. While the initial objective was to provide technical assistance to production units in priority sectors to export to the United States, quality standards and customer service demands often exceeded the capability of SMEs in the apparel industry. For this reason, intermediate (regional) markets were seen as a first step to gradually improve quality and efficiency. Concurring with this perspective, the government decided to apply incentives to exports regardless of their target market.

Strengthening the SBPC. The BTBC project contributed to the reorganization and reinvigoration of the Bolivian Productivity and Competitiveness System (SBPC), a public entity committed to improving national competitiveness. BTBC provided a consultant to participate in a dialogue aimed at restructuring the system, particularly regarding the establishment of a national forum to guide the SBPC. This forum, the Bolivian Productivity and Competitiveness Forum (FBPC), facilitates public-private dialogue on key competitiveness policy issues. BTBC's support to strengthen the SBPC also encouraged the consolidation of departmental competitiveness councils, which helped define regional competitiveness goals throughout Bolivia.

Compro Boliviano (I Buy Bolivian). One of the measures most welcomed by the Bolivian economic community was, without doubt, the

enactment of Executive Decree 27328: “*Compro Boliviano*.” This policy establishes that all public entities are obligated to buy domestic products in national bidding processes not to exceed one million dollars. At the operational level, the lot, item, or line methods were incorporated to facilitate SME access to these competitive bidding processes.

These measures, which are an important tool for economic reactivation, had been an ongoing demand of the Bolivian productive sector and were therefore raised again with the government during the formulation of the Economic Plan. The consultant hired by the BTBC project to provide assistance to the Ministry of Economic Development, in conjunction with the ministry’s team, made important contributions to the discussion of these measures with the government agencies responsible for implementing the new procurement regime.

Policy elements to support the hydrocarbons sector. The BTBC project supported an international comparative study on fiscal systems and royalty regimes in the hydrocarbons sector. An internationally recognized British company conducted the study and the findings were submitted to the Government of Bolivia for consideration during technical discussions concerning the new Hydrocarbons Law. The project also helped establish the bases for policies to promote the use of natural gas for vehicles, in response to two laws enacted in January 2004.

A.1.5. PRIVATE SECTOR SUPPORT

The BTBC project provided a grant for computer and digital photography equipment to the La Paz Chamber of Exporters (CAMEX) for the publication of its specialized magazine: “*Bolivia Exporta, Bolivia Crece*” (*Bolivia Exports, Bolivia Grows*). Since the publication of its first issue in January 2005, the magazine has received solid reviews for its content, quality, and positions, and its effectiveness in raising national awareness about the importance of exports for growth.

A.2. PUBLIC-PRIVATE DIALOGUE

A.2.1. COMMUNICATIONS CAMPAIGN: EXTERNAL MARKETS AND NATIONAL DEVELOPMENT

In response to a CAMEX initiative, later joined by all the exporters chambers affiliated with the National Chamber of Exporters (CANEB), the BTBC project gathered input and designed the External Markets and National Development Communications Campaign. Its purpose was to improve understanding of the opportunities and challenges presented by market liberalization processes. The campaign was implemented around the concept of “*Bolivia Exporta, Bolivia Crece*.”

CAMEX originally proposed an information and awareness campaign on the importance of the FTAA. Since the latter provoked

negative reactions in many Bolivian sectors, the methodology selected was for a national education campaign that would illustrate, inform, and communicate the importance of external markets for national development. In other words, the sense was that, before talking specifically about a particular trade integration process, the target audiences should first receive more general messages and information concerning policy-making, identifying trade impact scenarios, discussions of international experiences with trade negotiations, the identification of regional export potential, and practical workshops for developing manufactures for export.

The “Bolivia Exporta, Bolivia Crece” campaign involved a comprehensive communications strategy with four components:

- *Mass media.* Publicity materials including national TV spots, radio jingles, and graphics in the written press were disseminated from May to November 2004, reaching 80% of the target audience.
- *Information and education.* This component proceeded in two phases based on five identified target audiences: i) the media, ii) public opinion, iii) government, iv) the business sector, and v) other key audiences. During the first phase, an export support network was created through media training sessions (exporters selected from around the country to serve as spokespeople) and a training workshop on foreign trade for journalists from all parts of the country. The second phase included six informational events on issues relating to exports, opening markets, and foreign trade processes and policies. These events were attended by more than 2,500 people in Bolivia’s three main cities: La Paz, Santa Cruz, and Cochabamba.
- *Specialized publications.* In the framework of publicity for the “Bolivia Exporta, Bolivia Crece” campaign, the project supported the publication of two specialized supplements in national newspapers: i) the economic study, “La única salida... exportar para crecer” (“The Only Way Out, Export to Grow”) was published in Nueva Economía y Nueva Empresa with a circulation of approximately 10,000; and ii) three supplements of “EXPORTEMOS” (“Let’s Export”) were published in January, February, and March, 2005 in the La Paz weekly La Época, with a circulation of 5,000. The intent was to spark an objective debate over the advantages of signing a FTA with the United States.
- *Evaluation and impact.* This component included the following activities: i) First National Survey on Attitudes and Perceptions toward the FTAA; ii) Second National Survey on Attitudes and Perceptions toward the FTA with the United States; iii) focus group sessions to pre-test creative media spots and campaign messages; iv) audit to identify perceptions about the campaign’s image; v) Third National Survey of Attitudes and Perceptions toward the

"BOLIVIA EXPORTA, BOLIVIA CRECE" CAMPAIGN

Fiscal Year 2004-2005

ACTIVITIES	FEB 04	MAR 04	APR 04	MAY 04
Information and education	Training in information media	Lunch with press directors	Workshop for media audiences	
Mass media				Media campaign launched
Monitoring and evaluation	Focus groups to pre-test publicity spots		First Survey of Attitudes and Perceptions toward the FTA	
ACTIVITIES	JUN 04	JUL 04	AUG 04	
Information and education			Forum-Debate: "Public Policy Framework for Exports Development"	
Mass media	Dissemination of initial campaign messages, jingles and press art	Dissemination of testimonial messages, jingles and press art	Dissemination of testimonials, jingles and press art	
Monitoring and evaluation				
ACTIVITIES	SEP 04	OCT 04	NOV 04	DEC 04
Information and education	Presentation of impact study: "The FTAA: Opportunities and Threats for the Bolivian Economy"	Presentation of the study "Bolivian Soybeans: Toward the Free Market of the Americas"	"The Central America - U.S. FTA Negotiations: Lessons for Bolivia"	
Mass media	Dissemination of the final message, jingle, press art	Supplement "La Única Salida ...Exportar para Crecer" Dissemination of final message, jingle and press art		
Monitoring and evaluation			Second Survey of Attitudes and Perceptions toward the FTA	Audit of the campaign image
ACTIVITIES	JAN 05	FEB 05	MAR 05	
Information and education		"Regional Potential for Export Development"	Sector Studies: Practical Visions for Increasing the Development of Textile and Apparel/Wood Exports"	
Mass media	Supplement "Exportemos" I	Supplement "Exportemos" II	Supplement "Exportemos" III	
Monitoring and evaluation	Focus groups to evaluate the campaign	Analytical clipping press articles generated between March 2004 and February 2005		

FTA with the United States; and vi) impact and evaluation focus groups at the end of the campaign.

The exporters chambers from around the country affiliated with CANEB fully incorporated the campaign into their activities, all of which were coordinated and implemented jointly. CAMEX in La Paz, CADEX in Santa Cruz, and CADEXCO in Cochabamba actively participated in the campaign, with the backing of CADEXOR and CADEXNOR. It should be noted that prior to the launching of the “Bolivia Exporta, Bolivia Crece” campaign, the export sector was not unified nationally, since for political and institutional reasons, the La Paz exporters were not members of the national association.

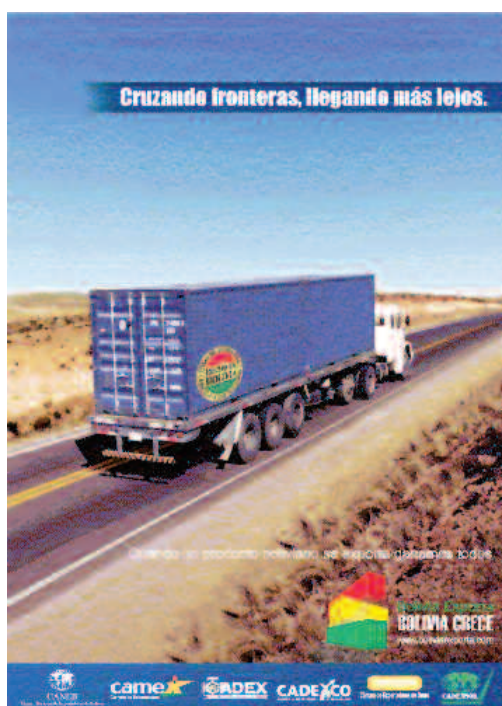
A.2.2. BOLIVIAN COMPETITIVENESS FORUM

The reform of the SBPC, to which one of the project consultants made significant contributions, took place in June 2004 with the enactment of Executive Decree 27567. Based on the new SBPC structure, the Bolivian Productivity and Competitiveness Forum (FBPC) is the system’s highest authority and is convened as a space for public-private concertation on productivity and competitiveness policy. The president of the republic must convene the forum on an annual basis.

The first forum, held in Cochabamba on June 2-3, 2005, was attended by entrepreneurs, public officials, industry leaders, academics, and public opinion-makers. The forum’s agenda covered the following:

- Financing for business development
- Innovation, technology transfer, and human resources
- Competitive supply and market development
- Public investment for productive development
- Institutions and laws

Conscious of the event’s national policy implications and the need to reinvigorate the economy, USAID/Bolivia supported the forum with funding for publicity, communications, and dissemination activities. The BTBC project had an operational role in the control and follow-up of subcontracts with specialized companies responsible for carrying out these communication activities. In addition, it subcontracted the preparation of the record of proceedings for the event, which outlined tasks for the coming year related to competitiveness in Bolivia.



A.2.3. COMPETITIVENESS WORKSHOP WITH GOVERNMENT AUTHORITIES AND PRIVATE ENTERPRISE

During a two-day seminar in November 2003, governmental actors, business leaders, competitiveness experts, and representatives of the international donor community reflected on the lessons they hoped to learn during the implementation of the BTBC project and examined mechanisms and policies to enhance Bolivian competitiveness in the industrial sector. The event was particularly privileged to have leaders representing small, medium-sized, and large enterprises from the industries relevant to the BTBC project in attendance.

A.3. TRAINING

A.3.1. COURSE FOR INTERNATIONAL NEGOTIATORS

As part of its assistance to the Government of Bolivia, the BTBC project subcontracted with Florida International University for three seminars on international negotiations. Their purpose was to enable official negotiators and private sector representatives who follow such processes to improve their ability to participate in the hemispheric and world economy. Topics included: international trade negotiating skills, access to markets, and analyzing the impact of trade agreements. The seminars, held in Cochabamba and Sucre, were given by consultants from the Argentine consulting firm, INTEGRAL. They developed the instruction curriculum based on case studies adapted from actual negotiation processes in the context of MERCOSUR. During role plays, public sector participants often took on negotiating roles representing the private sector and vice versa. 42 Bolivian

professionals from the public and private sectors were trained and updated in negotiating techniques during 190 hours of instruction and negotiation practice.

This three-course series was the first of its kind in the country. It received enthusiastic praise from the Ministries of Foreign Affairs, the Treasury, and Rural and Agricultural Affairs, as well as private institutions.

A.3.2. STRATEGIC MANAGEMENT TRAINING FOR SMES

Initially, project objectives included masters level training in topics such as trade law, foreign trade, and administration. This was later modified based on the lessons learned from the project's work with production units. Moreover, since the project's target group is SMEs and because their capacity-building needs are more practical, it was decided to establish human resource training program modules instead.

Strategic management training for SMEs in El Alto. Working with the masters program of Bolivian Catholic University, the project designed strategic management training courses for SMEs from El Alto, adapted from the university's masters degree programs and redesigned for small and medium-sized entrepreneurs who often lack formal education. The first course was held from July to September 2004 and the second from December 2004 to March 2005, with 50 participating SMEs.

Each course included the following modules: 1) Elementary Accounting and Finances, 2) Marketing, 3) Business Strategy, 4) Management and Leadership, and 5) Simulated Business Workshop.

Beneficiaries were selected in coordination with trade associations and micro-financing institutions, which facilitated the adaptation of participant profiles to course objectives. One of the most notable features of this course was that classroom sessions were followed by instructor visits to participating SMEs to verify the correct application of the subjects studied. These on-site visits improved the diagnosis of specific problems, leading to real increases in productivity.

The participating SMEs were highly motivated and impressed with the outcomes in management skills, analysis and problem-solving, and leadership attitudes. The Bolivian Catholic University masters program also regarded the courses as a positive link between academia and real life experiences.

A.3.3. TECHNICAL ASSISTANCE IN ADMINISTRATION, MANAGEMENT, AND SERVICES

Sector-specific workshops on "Practical Visions for Increasing Exports." Workshops were held for SMEs to equip them with tools to find solutions to launch or increase their exports. The project provided infor-

mation on the the state of production and competition in the textile and wood industries, access to financing, trade agreements between Bolivia and other countries, tools for promoting exportable supply, and business registration. The format included expert lecturers, analysis with the participants, and information tables on the subject.

Strengthening human capital to improve productive processes. In conjunction with the productivity and competitiveness unit (UPC), the project offered refresher courses to 494 instructors and consultants from national training institutes specializing in productive processes. The seminars, held in La Paz, Cochabamba, and Santa Cruz, covered the following:

- Quality control (140 participants)
- Production systems (63 participants)
- How to train sewing machine operators (90 participants)
- Textile printing and design (66 participants)
- Management and strategic planning (115 participants)
- Kiln-dried wood (20 participants)

Training for industrial mechanics. The project trained mechanics specializing in the maintenance, repair, and adaptation of industrial machinery, thereby addressing one of the major bottlenecks facing Bolivian companies. Sessions were held in the following companies: Macaws (leather goods), and Batos, Alfach, and Trailer (clothing industry).

A.3.4. MSE TRAINING TO PARTICIPATE IN “COMPRO BOLIVIANO”

Although the “Compro Boliviano” program was established by Executive Decree 27328 of January 2004 to reinvigorate the productive sector, it did not have the desired impact due to regulatory gaps and the MSEs’ lack of familiarity with the law’s benefits.

For this reason, the BTBC project organized a two-day national seminar for MSEs with the National Confederation of Micro and Small Enterprise (CONAMYPE). The aim was to improve their capacity to participate in public competitive bidding processes for goods and services under the purview of Bolivian public agencies (central and municipal governments, and decentralized agencies). Participation in these competitive bidding processes requires that production units be formally registered and it compels them to organize production more efficiently, seek alliances to form adequate economies of scale, and improve their productivity and competitiveness indicators. The BTBC project felt that if MSEs were successful in these processes, they would simultaneously be preparing themselves for the challenge of exporting.

The project trained approximately 100 micro and small enterprises affiliated with CONAMYPE in the technical aspects of participation in the “Compro Boliviano” project during a workshop held in Cochabamba on June 27-28, 2005. Several experts on public and private sector issues gave lectures and participated in the workshop.

A.3.5. STREAMLINING PROCEDURES

In March 2005, the BTBC project assisted with a training workshop in Cochabamba for 12 officials from Bolivia’s 7 departmental governments responsible for business registration, and specialized staff from the UPC and IBNORCA. The purpose was to train officials in the use of simplified processing tools, management of the Webpage *www.tramites.gov.bo* containing information on streamlining procedures especially for use by companies, and the relevant regulations governing registration. It is anticipated that, after participating in the training and a through public information process, the departmental governments will be able to improve their business registration services, which will help reduce registration and transaction costs and aid small and medium-sized companies in becoming full economic agents.

Subsequently, the BTBC project promoted the first national institution-building conference on streamlining procedures for the organization units (UDOs) and the reform and management units (UGRs) of the departmental governments. The purpose of the conference was to develop written procedures and standardize the formats for external procedures in all the departmental governments. During the conference, the governments of the central departments—La Paz, Cochabamba, and Santa Cruz—which had made more progress in simplifying procedures, provided operational manuals to the governments of Beni, Tarija, Chuquisaca, Potosí, and Oruro, with a view toward standardizing those processes nationwide.

B. ACTIVITIES TO STIMULATE NONTRADITIONAL EXPORTS AND EMPLOYMENT

B.1. GENERAL OUTCOMES

Bolivian exports from the priority sectors (which account for 80% of total manufactures exports)¹ rose from \$160 million in December 2002 to \$207 million in December 2004, a growth rate of 29%. This was mainly due to increased exports to the United States and Chile, with growth rates of 31% and 105% respectively over the two-year period. The rise in exports to Chile was mostly attributable to apparel exports, particularly from companies that received BTBC assistance.

1. According to data from the Ministry of Economic Development.

The most significant outcomes, however, were in exports for the U.S. market. By providing technical assistance to over 50 companies in priority sectors, the BTBC project helped generate \$21.2 million in sales, which accounted for 63% of the overall increase in Bolivian exports to the U.S. in those industries during the reference period.

The chart below presents data on exports for December 2002 and December 2004, including total exports and exports to the U.S.² The largest share corresponds to the jewelry industry (44%), followed by apparel (28%), and wood and secondary wood products (27%), while exports of leather goods still have not reached significant levels (one percent), despite this industry's enormous potential.

BOLIVIAN EXPORTS IN PRIORITY INDUSTRIES

Value in millions of US\$

SECTOR	TOTALS		U.S.	
	2002	2004	2002	2004
Apparel	\$ 26.08	\$ 52.38	\$ 19.06	\$ 40.20
Wood and Secondary Wood Products	\$ 53.88	\$ 71.77	\$ 30.77	\$ 38.37
Wood	\$ 23.13	\$ 32.28	\$ 11.62	\$ 15.75
Wood Doors and Windows	\$ 13.64	\$ 16.04	\$ 11.74	\$ 13.80
Other Wood By-products	\$ 4.15	\$ 8.05	\$ 0.61	\$ 0.86
Wood furniture	\$ 12.96	\$ 15.40	\$ 6.81	\$ 7.95
Jewelry	\$ 57.39	\$ 61.82	\$ 57.18	\$ 61.81
Leather and Manufactures	\$ 22.46	\$ 20.92	\$ 0.98	\$ 1.06
Semi-manufactured Leathers	\$ 21.26	\$ 19.69	\$ 0.07	\$ 0.26
Semi-processed Leathers	\$ 1.19	\$ 1.23	\$ 0.91	\$ 0.80
Priority Industry Total	\$ 159.81	\$ 206.89	\$ 108.00	\$ 141.44

Prepared by: BTBC project
Source: SIVEX – MIDE

² Data from 2002 are used as the baseline since the project launched its activities in February 2003. Technical assistance activities, however, did not begin until June 2003.

The chart below shows increases in exports, by industry, during the reference period; as shown, the exports generated by the BTBC project accounted for 63 percent of the growth in exports to the United States and 45 percent of the total increase in exports specifically from those sectors.

BTBC PROJECT IMPACT ON PRIORITY INDUSTRY EXPORTS

Value in millions of US\$

	INCREASE IN EXPORTS			BTBC PARTIC.	
	TOTALs	U.S.	BTBC	TOTALS	U.S.
	2002-2004 (1)	2002-2004 (2)	2002-2004 (3)	2002-2004 (3/1)	2002-2004 (3/2)
Apparel	\$ 26.30	\$ 21.14	\$ 4.60	17.5%	21.8%
Wood and Secondary Products	\$ 17.89	\$ 7.60	\$ 3.40	19.0%	44.8%
Jewelry ³	\$ 4.43	\$ 4.63	\$ 12.40	280.1%	268.0%
Leather and Leather Goods ⁴	-\$ 1.54	\$ 0.08	\$ 0.82	(a)	999.4%
Priority Industry Totals	\$ 47.08	\$ 33.45	\$ 21.22	45.1%	63.4%

(a) Cannot be calculated due to overall reductions in exports of leather and leather goods between 2002 and 2004.

Source: SIVEX-MIDE, BTBC project

Prepared by: BTBC project

MULTIPLYING EFFECT

Direct Jobs	1,307
Indirect Jobs	1,960
Total new jobs	3,267
Dependents	13,070
Total beneficiaries	17,337

In addition to the growth in exports, project outcomes include direct and indirect job creation, increases in local sales, incorporation of SMEs into production chains, and job security.

BTBC project interventions created more than 3,200 new jobs (1,307 direct jobs and 1,960 indirect jobs). Considering that the average Bolivian worker has four dependents, an estimated 16,000 people benefited from BTBC project activities.

Moreover, the project helped integrate 110 SMEs into export production chains through subcontracts and direct exports, and generated increased local sales of \$965,000.

In the area of human resource development and capacity-building, the project trained 4,329 people, with direct impacts on product quality and the competitiveness of the productive process. The project also undertook other tasks with less tangible outcomes in the areas of job security, productivity, corporate government, gender issues, training, and technology transfer.

3. There are four exporting companies in the jewelry sector: While three of them experienced a reduction in exports during the period of reference, the company that received BTBC project assistance increased its exports by US\$ 12.4 million from September 2003 to December 2004.

4. The main exporter of leather goods, which received project assistance, exported US\$955,000 from October 2003 to March 2005, of which an estimated US\$815,000 were generated due to BTBC project support.

In order to increase women's skills and income in the manufacturing industry, BTBC consultants trained women in machining and sanding wood parts and pieces. Others were trained in the design and manufacture of silver jewelry, and they subsequently organized production units in El Alto. In addition, three groups of 25 people were trained in design, color combinations, and knitting sweaters and accessories for export. By June 2005, these groups from El Alto were knitting articles for the "Asociación Artesanal Boliviana Señor de Mayo" (ASARBOLSEM), which exports apparel to Europe under a fair trade arrangement.

B.2. TECHNICAL ASSISTANCE BY SECTOR

The initial task of identifying companies in the priority sectors with potential for growth and job creation was enhanced by the experience and know-how of sector-specific experts. Subsequently, the project's accomplishments and the versatility of its methodology enhanced its reputation, leading several companies to request project support. Nonetheless, the group of sector-specific experts remained proactive in identifying undertakings with growth potential at the national level and providing the appropriate support to stimulate their development.

B.2.1. COTTON AND SYNTHETIC APPAREL

Although it is still in its growth phase, textiles accounts for 25 percent of Bolivia's manufactures exports and accounts for 12 percent of the labor force in the productive sector. Of an estimated 5,000 shops that manufacture apparel, 97 percent are micro and small enterprises, operating in the informal sector with obsolete technology.

The textile industry in Bolivia features a high degree of unused operating capacity due to the scarcity of raw material and unfair competition from contraband in the domestic market, coupled with obsolete production methods and unskilled labor.

The industry's strengths stem from short delivery times, immediate restocking of the product, and high value added in the production process. Free trade agreements, unilateral tariff reduction programs such as the ATPDEA in the United States, and the European Union's Generalized System of Preferences offer Bolivia's clothing industry an opportunity to expand production.

The main bottlenecks identified in the industry were:

- Short supply of raw materials and accessories
- Difficulties obtaining credit and operating capital

- Inexperienced companies are ill-equipped to export their products due to an unskilled labor force and weaknesses in production management, logistics, and costs
- Companies are unaware of export incentives and institutions that provide services

With the support of the BTBC project, exports of cotton and synthetic apparel grew by \$3.9 million, while local sales grew by \$490,000, creating 534 direct jobs. In addition, 25 SMEs were incorporated into export production chains and 1,295 people were trained.

TECHNICAL ASSISTANCE

- *Production systems.* The BTBC project helped install company-appropriate production systems to optimize production processes. Various systems were employed, including line, batch modular, and assembly production. In addition to increasing production, these systems changed the staff remuneration system, which improved the workers' standards of living.
- *Quality control.* The BTBC project helped systematize quality controls in the main production areas (inventories, cutting, piecing together, and finishing), based on international quality control models for apparel. These included forms, designation of supervisors, and the establishment of stages throughout the production cycle.
- *Business management.* The BTBC project assisted in the implementation of management tools in financial, production, human resource, and marketing administration. Using the tools, companies were able to create quantifiable indicators and goals, as well as oversight mechanisms to ensure successful planning. Now, entrepreneurs can develop and interpret cost structures, financial statements and company balance sheets, and design their own marketing strategies, thus strengthening controls in the factory.
- *Design and patterns.* Since SMEs lack their own designs and the technology to develop patterns, the BTBC project provided assistance for design creation based on prevailing trends and styles. Patterns were developed for every product and technical cards were created for spreading the cloth properly, the dimensions of the tables, and cutting methods to avoid waste. This enabled companies to offer products adapted to regional markets and the U.S. market.
- *Technological innovation.* The BTBC project provided assistance to AMETEX—Bolivia's largest textile company—to implement new production processes based on “lean manufacturing”⁵ to increase

5. Lean Manufacturing is a methodology used to reduce the time between the client's order and product delivery, by reducing works in progress, quality upgrades, and delivery time in production chain processes.

TECHNOLOGICAL INNOVATIONS IN THE APPAREL INDUSTRY

AMETEX, the largest textiles and clothing company in the country, needed to increase its industrial efficiency from 60% to 80%. The BTBC project provided technical assistance through the Textiles/Clothing Technology Corporation [TC]², one of the world's leading consulting firms in technological development and improving the chain of suppliers for the apparel industry.

As a result, AMETEX implemented the “lean

manufacturing” methodology with the following outcomes in the first pilot module: output rose from 38% to 77% in less than two months, quality standards increased from 80% to 87%, rejects dropped from 19% to 8%, and reprocessed goods decreased to 6.7%, well under the standard percentages of 15 to 20%. Due to the success of the pilot module, AMETEX plans to implement this innovative system in all of its productive processes.

production efficiency, with technical support from the consulting firm [TC]². Likewise, it provided consulting services in operational engineering, product development, planning material requirements, creation of models, production administration, quality control, and supply chain administration.

TRAINING

- *Labor force training.* Due to high turnover in the labor force and the apparel manufacturers' high demand for staff training, the BTBC project provided training—customized to the size and needs of the company—in the following areas: operating industrial machinery, operating specialized machinery, sewing on light machines, and sewing on heavy-duty machines. Subsequently, the BTBC project made sure to conduct follow-up of the trained personnel since there were cases of trained personnel setting up their own production units.
- *Training of junior industrial engineers.* Experts hired by the BTBC project trained four junior engineers to work as plant supervisors in SMEs in the clothing industry (cotton and fine yarns), two of which were later hired in that position.
- *Training in business management and production processes.* Ten companies from the apparel sector (cotton and fine fibers) have received business management support through the training of 20 company staff people. More than 860 people received training in sewing and improved clothes-making techniques.
- *Training in design and prints.* In coordination with the Universidad Real and CEPROBOL, the BTBC project organized two workshops on manual and computerized design and prints, which were attended by more than 60 people. The BTBC project also assisted Fundes in developing 2 textile design courses for designers, design instructors, and exporters. These courses were held in La Paz and Santa Cruz, and attended by more than 100 people.

THE IMPLEMENTATION OF BETTER QUALITY CONTROL AND DELIVERY LOGISTICS MADE IT POSSIBLE TO RECOVER PREVIOUS ORDER LEVELS FROM U.S. AND CANADIAN CUSTOMERS (REYWEAR)

Rey Wear began as a single-person company specialized in the production of handcrafted sweaters made from cotton, alpaca, and wool. It began exporting to the United States and Canada, subcontracting with 14 groups of women handknitters and creating 500 to 800 jobs. Rey Wear controls the chain from acquisition of the fiber, to spinning, dyeing, and finishing the knitted product. However, due to management and planning deficiencies, the company began to lose clients, and production and earnings dropped.

In order to surmount the crisis, **the company decided to diversify production, introducing cotton pants and jackets, towels, and other home accessories.** For this reason, it requested assistance from the BTBC project.

The intervention began in July 2004, using consultants to develop samples, implement the production process for the new line, and redesign company management.

As a result of the BTBC consultancy, a network of fabric suppliers was consolidated with

the capacity to produce the new line of products and deliver samples of pants and jackets in a timely manner: **Likewise, the quality of the new line of towels and kitchen accessories was improved. As of May 2005, these were being sold on the local market with a view toward expanding sales to Bolivia's main cities.**

The sweater plant was reorganized to improve quality control and delivery logistics, contributing to the recovery of U.S. and Canadian customers, in addition to reactivating yarn inventories valued at \$600,000.

In addition, **the project assisted with a business plan** to establish a joint venture to establish a large-scale dyeing plant to serve as a supplier for companies in the sector.

As of June 2005, Rey Wear is a stronger company, with new production lines and in the process of vertical integration. This intervention has created more than 35 new permanent jobs, 100 temporary jobs, and has consolidated more than \$300,000 in sales.

B.2.2. FINE FIBER APPAREL

This labor-intensive industry is concentrated in La Paz, El Alto, and Cochabamba. Most exporters of camelid products import the fibers from Peru, despite the presence of spinning mills in Bolivia, due to the better variety and quality of the imported product. Since there are no weaving mills in Bolivia, the cloth is also imported. This means that Bolivian companies must compete at a disadvantage, distinguishing themselves mainly by design and price.

Fine fiber textiles are generally produced for markets with high purchasing power in Europe and the United States. The most successful Bolivian companies are those offering innovative designs: for example, Millma and Intiwara for knitted products, and Milos Internacional (Liliana Castellanos) for woven fabrics. The Altifashion company has been aggressive in pricing policies, working under the Private Label⁶ system. The industry's exports total approximately \$7 million.

With the support of the BTBC project, exports of textiles made from fine fibers rose by \$726,000, while local sales grew by \$334,000 and

6. "Private Label" refers to goods manufactured or provided by a company to be marketed under the private label of the other company; this is also known as an "intermediary label," creation or ownership label of a reseller of a good or service.

COMPANIES ASSISTED BY THE BTBC PROJECT COTTON AND AND SYTHETIC APPAREL INDUSTRY

ALFACH Cochabamba	JULYOS Cochabamba	TEXTURBOL La Paz	JHECCEM Santa Cruz
TRAILER Cochabamba	VAL FAL La Paz	JEANS SPORT La Paz	MAKAM Santa Cruz
CORCEL Cochabamba	DINATEX La Paz	AMETEX La Paz	TORINO Santa Cruz
BATOS Cochabamba	TRES COLORES La Paz	MAQUIBOL La Paz	IMAGEN Santa Cruz
ANTHONY JEANS Cochabamba	TEXMABOL La Paz	BOGAMA La Paz	DIM's JEANS Santa Cruz
ASEA-MYTEX Cochabamba	HOGARTEX La Paz	BTX Santa Cruz	CONFECCIONES RECORD Santa Cruz
ROMAN Cochabamba	REY WEAR La Paz	MITSUBA Santa Cruz	ACOTAR Tarija

96 direct jobs were created. In addition, 11 SMEs were incorporated into export production chains and 845 people working in the industry received training.

TECHNICAL ASSISTANCE

- *Production systems.* Technical assistance was provided to help the transition from small-scale production for the domestic market toward production systems for export. While there is industrial production in yarn manufacture, the apparel industry is characterized by a high level of manual labor, particularly in the area of knitted goods. Production and control processes were optimized: this included the development of new lay-outs; improved ergonomics and industrial safety; implementation of quality control systems during and at the end of the process; control and follow-up systems for production orders; improved stockroom management for finished products, raw materials, and inputs; and the respective minimum inventories in function of request orders.
- *Quality control and salary scales based on output.* Assistance was provided to improve production quality and employee motivation. The project also helped establish incentive systems to encourage worker efficiency by paying per piece and through public recognition of workers to keep morale high.
- *Design and patterns.* Considering that fabric represents a significant portion of the cost, assistance was provided to reduce waste of woven fabric through the use of optimal patterns. The patterns also made it possible to create size scales appropriate to the target market, reduce the time to produce an item of clothing, and create

apparel with the right “cut.” Patterns were developed manually, since most companies lack digital equipment.

- *Creative design.* It was necessary to work with exclusive designs rather than mass production, given the high purchasing power of the target public. The project worked on design through the development of specific collections and training.
- *Total quality and customer satisfaction.* The project assisted the companies in implementing quality standards and production systems to achieve maximum client satisfaction.

TRAINING

- *Training.* Training courses were offered in hand-knitting, creative design, design and patterns, quality control, production planning and supervision for middle management, and business management. Training methods included courses, seminars and interactive workshops held in classrooms, and on-site activities.
- *Workshops for hand-knitters.* More than 400 women who knit sweaters by hand or on manual machines were trained in production planning and organization, quality control, design, sizing, and color combinations to decrease production time.

COMPANIES ASSISTED BY THE BTBC PROJECT FINE FIBERS APPAREL INDUSTRY

MILOS INTERNACIONAL La Paz	KNITTED APPAREL La Paz	INTIWARA La Paz	COPROCA La Paz
ORÍGENES BOLIVIA La Paz	GLORIA THAINE La Paz	SHALOM La Paz	LUCANA, KNITT & FASHION La Paz
ALTIFASHION La Paz	ALPACA STYLE La Paz	ASARBOLSEM - ASOC. ARTESANAL Boliviana Señor de Mayo La Paz	FOTRAMA Santa Cruz
ALTIFIBERS La Paz	TERRALTAS La Paz	BCP ALPACA DESIGN SRL La Paz	

B.2.3. WOOD MANUFACTURES

The wood industry has shown significant growth over the past two years. This is particularly true of higher value-added products, which account for 55 percent of total exports in the sector. These types of products diversify production, make better use of the sector's operating capacity, and generate new investment. In recent years, there has been a trend toward subcontracting, an effective mechanism for incorporating SMEs and MSEs into the export process. Through the BTBC project, 22 companies have been incorporated into the export production chain, most of them from the furniture industry due to the high value-added. The project trained 1,818 people.

During the project period, 32 companies in La Paz, Santa Cruz, Cochabamba, Tarija, Cobija, and Riberalta received assistance. Some 91 percent of these companies are SMEs and the remaining 9 percent are large-scale enterprises.

With the support of the BTBC project, exports of wood manufactures increased by \$3.4 million, local sales grew by \$104,000, and 525 direct jobs were created. The project has worked in areas that improve the competitiveness of the companies, including wood-drying, reducing shrinkage and optimizing cuts, production planning and organization, improvements in productivity, improved delivery times, and quality control.

“EXPLORATION OF THE AMAZON FORESTS SHOULD BE DONE WITH AN ECOLOGICAL AWARENESS” (MABET S.A.)

Mabet SA is the main company of the Grupo Ettiene. It started as a carpentry provider from the Cottienne construction company and, in 1993, began exporting wood doors and frames. It initially succeeded in breaking into the U.S. market and subsequently expanded to Chile, Spain, and Denmark. It expects to initiate operations soon in the European Community. The company currently produces wood doors and frames, flooring, furniture, construction parts and pieces, and processed finger joint wood.

“Exploration of the Amazon forest should be done with an ecological awareness, and that is why Mabet manages forests in a sustainable manner; from cutting to the final product; this is our calling card and it is what helps us close most of our international business deals,” affirms General Manager Fernando Vargas.

With this business philosophy, Mabet took its line of flooring to the Pacahuaras company, a wood supplier in Riberalta. One of its Dutch customers recognized the potential of these companies and proposed creating a shared risk partnership. This led to the establishment of the DENMA company. It produces wood garden products, which entails venturing into a new production line.

The BTBC project has accompanied the entire growth process of the companies in this group, providing technical assistance in wood drying process, aiding in the transfer of the production line, and other issues. **As a result, sales grew by more than \$700,000 relative to the previous year and 100 new jobs were created.**

The program's flexibility enabled it to assist companies of different sizes, from the most important companies in the sector to nascent micro and small enterprises.

TECHNICAL ASSISTANCE

- *Pre-sizing and optimization of cuts of raw material.* The project has worked with companies with high productivity levels and vertical integration in standardizing cuts of raw materials to the required thicknesses so that they are uniform and require less reprocessing during manufacture of the final product. In addition, cut hardwood yields have improved by 30 percent by using radial and tangential cuts following the form and cut of the trunk.
- *Wood drying.* Each wood species has unique characteristics, as does each producing region. The wood drying process, along with the scant availability of this service, is one of the bottlenecks in the industry. To address this problem, the project has reduced drying times through the introduction of new techniques, thereby improving the quality of the drying processes and reducing costs. This has been accomplished through training and by introducing improved techniques and automated processes into operations.
- *Organization, management, and production planning.* Prior to providing technical assistance for productive processes, the BTBC project defined attainable, viable goals that the companies had to meet. Production systems were organized based on production for local markets and external markets; production lines were established, as were special production shifts for export contracts. The project also supported management development based on human resources and financial planning. The project worked with two USAID projects—BOLFOR II and CADEFOR—for the sustainable development of industrial production and the supply of raw materials.
- *Optimization of industrial processes.* The BTBC project has been practical in its implementation of production programs, which were planned with the involvement of the companies. The project reduced production time, enhanced production methods and raw material yields, and improved product quality. According to customers, there have been fewer complaints and product rejects relating to quality. The development of lay-outs for various productive processes complemented these efforts.
- *New machinery and equipment installation.* Throughout the project, this manufacturing sector has been dynamic and new investment has been generated in several companies. The latter have required the assistance of BTBC project technicians in areas such as planning, plant measurements, required operating capacity, electrical systems and loads, dust and wood-shaving extraction sys-

COMPANIES ASSISTED BY THE BTBC PROJECT, WOOD PRODUCTS INDUSTRY

IBEMA Cochabamba	UNITED FURNITURE La Paz	LA ITALIANA Santa Cruz	CARPINTERÍA DILUVIO Tarija
SALI Cochabamba	LÍNEA RÚSTICA La Paz	Muebles Hurtado Santa Cruz	CARPINTERÍA QUIROGA Tarija
MOBILIA La Paz	SCHMIDT WOOD La Paz	CIMAL Santa Cruz	CARPINTERÍA DIAZ Tarija
ULTIMATE DESIGN La Paz	SAN JAVIER La Paz	BTL Santa Cruz	CARPINTERÍA CHOQUE Tarija
SOEX La Paz	MADECOM La Paz	KAOBA Santa Cruz	INDUSTRIA DE METAL Y MADERA RAMÍREZ Tarija
PROMAD La Paz	SOMAIN Santa Cruz	SAGUSA Pando	CARPINTERÍA CASTAÑON Tarija
ECOWOODS La Paz	CHINGA DECORACIONES Santa Cruz	MONTANA Tarija	COMAS Tarija
MUEBLERÍA LÓPEZ La Paz	SAN JOAQUÍN Santa Cruz	IMAPA Pando	MABET-PACAHUARAS La Paz – Beni
SAN JORGE Santa Cruz			

tems, and lay-out design. In addition, useful machinery and tools were identified to expedite production in areas such as sanding, trimming, dressing, shaping, and so forth.

TRAINING

- *Training in the selection, drying, and cutting of sawn lumber.* Sessions were held, with expert participation, for more than 25 percent of the BTBC project's beneficiary companies and a total of 90 people received training. Also, in coordination with SECO, 50 participants were trained in the selection and cutting of sawn lumber.
- *Training in production processes.* More than 1,400 people were trained in production processes (cutting, assembly, and finishing) for the production of garden furniture.

B.2.4. LEATHER GOODS

The leather goods industry in Bolivia is still in its incipient stages; exports from this sector totaled \$1.2 million in 2004. Exports of manufactured goods are concentrated in very few companies: Macaws, one of the most important, exported \$650,000 in 2004. The main activity in terms of leather goods is the production of shoes for the domestic market. On the other hand, leather curing, one of the main activities in the production chain, accounts for exports in excess of \$21 million.

“WITH A QUALITY PRODUCT AT A COMPETITIVE PRICE, THERE IS NO MARKET THAT CANNOT BE PENETRATED” (MACAWS SRL)

Without a doubt, Macaws SRL is the leather manufacturing company with the highest level of exports to South and North America from Bolivia. It produces several upholstery articles, but particularly fine leather stamping, cell phone cases being its main export. Currently, the company employs 300 workers, including employees and subcontractors. “It is not an easy road, but the fruits obtained more than make up for the resources and time invested,” affirms General Manager Peter Weiss. His tenacity, discipline, and skill, together with the support of the BTBC project, have enabled the company to attain the following international certifications: quality (ISO 9001), industrial safety and occupational health (OHSAS 18001), and environmental management (ISO 14001). “With a quality product at a competitive

price, there is no market that cannot be penetrated. That is the course that Macaws follows,” says Weiss.

In addition to pursuing its certification goals, Macaws believes in training. With the support of the BTBC project, more than 200 people, including workers and subcontracted microentrepreneurs, were trained in fine leather stamping and upholstery. In 2004, MACAWS increased its exports by 108% over the previous year.

“Given the lack of government incentives for the manufacturing sector, the support and cooperation of USAID, through the BTBC project, is vital to surmounting technical and technological deficits in the difficult task of doing business in our country,” concludes Weiss.

The leather goods industry—including leather stamping, upholstery, and footwear—is primarily made up of micro and small enterprises, usually in the informal sector, that cater to the domestic market and border trade. The few large companies concentrate their investments in the curing process rather than manufactures.

The BTBC project supported Macaws, a leading manufacturer, covering several areas of the production process over a 12-month period. Towards the end of its term, the project provided assistance to Pielbo and Genuine Top Leather in the production of accessories and small leather goods.

With the support of the BTBC project, exports of leather goods rose by \$816,000, while local sales grew by \$37,000, and 56 direct jobs were created. In addition, 50 SMEs were incorporated into the production chain, and 210 people were trained in this sector.

TECHNICAL ASSISTANCE AND TRAINING

- *Production Systems.* A computerized production control system was developed and new leather stamping techniques were introduced for the production of belts, bags, and wallets.
- *Training.* Over 210 people attended intensive six-week courses in leather stamping and upholstery, and manual laborers were trained in leather-finishing and machinery maintenance.
- *Quality, safety, and environment.* The BTBC project supported the implementation of ISO 9001. In addition, it supported compli-

ance with industrial and occupational safety standards and environmental protection, through the OHSAS 18001 and ISO 14001 laws, which, while not prerequisites for export, demonstrate a company's seriousness and social and environmental responsibility, thereby improving its reliability as a provider.

COMPANIES ASSISTED BY THE BTBC PROJECT LEATHER GOODS INDUSTRY

MACAWS Cochabamba	PIELBO Cochabamba	GENUINE TOP ELÁTER Cochabamba
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B.2.5. JEWELRY

Jewelry is Bolivia's most important export manufacturing industry, with exports totaling \$62 million in 2004, a 20 percent growth over the preceding year. The sector has benefited substantially from the ATPA, and now the ATPDEA, since most of its exports are produced for U.S. markets. Exports from this sector are the result of investments in two large companies in addition to two medium-sized companies that sporadically export small quantities. Nonetheless, there are cottage industries with low levels of investment but extraordinary handicraft skills that produce for the local market. The challenge in this sector is to succeed in the medium term in inserting these cottage industries into the export production chain.

The BTBC project helped the most important exporter in this sector, which produces exclusively for the U.S. market. The project also provided technical assistance to *Minerales y Metales* for the implementation of a jewelry production process as well as to a women's training center (*Centro de Capacitación de la Mujer [CECADEM]*), for the development of handicraft models.

With the support of the BTBC project, jewelry exports grew by \$12.4 million, generating 96 direct jobs. In addition, two SMEs were incorporated into the export production chain and 161 people in this sector received training.

TECHNICAL ASSISTANCE AND TRAINING

- *Production systems.* Specialized technical assistance to implement an anti-corrosive process (e-coating) for silver jewelry and a planning and monitoring system for production and inventories. Assistance was provided with the installation of machinery and equipment for jewelry manufacturing.
- *Training.* Training program for novice laborers in jewelry production processes to work in the new silver plant. Staff were trained in the correct use of industrial machinery for jewelry-making and micro-administration of jewelry-making cottage industries.

COMPANIES ASSISTED BY THE BTBC PROJECT JEWELRY SECTOR

EXPORTADORES BOLIVIANOS La Paz	MINERALES Y METALES Santa Cruz	CECADEM El Alto
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“THE INTERVENTION OF THE BTBC HAS PLAYED A DECISIVE ROLE ...” (EXPORTADORES BOLIVIANOS)

During the past decade, **Exportadores Bolivianos** has exported significant quantities of gold and silver jewelry to the U.S. market, including more than 7,000 kilograms of jewelry in 2004.

The company currently generates more than 700 jobs in its industrial plants and nearly 1000 indirect jobs through its subcontracted shops. “Our workers enjoy all of the social benefits established by the country’s labor laws and they also have access to a daily childcare service,” says General Manager Eduardo Bracamonte.

In 2003, with the support of the BTBC project, **Exportadores Bolivianos** transplanted a jewelry production plant from Mexico and introduced a new production line that has increased its export volume. In 2004, it registered over \$39 million in exports, entailing significant levels of direct job creation. “This accomplishment would never have been possible without the support of USAID, through the BTBC project, for training workers in the new plant. The

intervention of the BTBC project has played a decisive role: a total of 137 people have been trained, 104 of which have been placed on the company payroll: 53 women and 51 men who are now the productive engine of the silver plant,” indicates Bracamonte.

The company also received USAID support in technical areas related to the implementation of an anti-corrosive process (e-coating) for the silver jewelry line and the development of a planning and monitoring system for production and inventories, which helped the company optimize its productive processes.

“One of the mechanisms that has contributed to important achievements is that the company could not have a better working environment to encourage worker productivity. **Exportadores Bolivianos** offers ongoing refresher training that enables its workers to specialize in different productive processes, thereby making optimal use of the experience acquired,” explains the executive.

B.2.6. CROSS-CUTTING TECHNICAL ASSISTANCE

Development of Market Linkages

- *International Fairs.* The BTBC project provided support for companies to participate in sector-specific international fairs such as Magic Marketplace (Las Vegas, Nevada) in the apparel sector and High Point (North Carolina) in the wood sector.
- *National fairs.* The project provided support for companies to participate in two multi-industry national fairs, held in Santa Cruz (EXPOCRUZ 2004) and El Alto (FEXALT 2004). Expocruz is Bolivia’s most important international fair and an export showcase; the second is an incipient fair in a city known for its labor-intensive industries.

In addition, the BTBC project was involved in the EXPOFOREST 2005 fair. It helped increase the number of local exhibitors by 100

percent and facilitated more than 600 business meetings among 80 entrepreneurs.

- *Business missions and business agendas.* Business missions and agendas were carried out to explore markets in the United States, Chile, and Brazil, and test orders and export contracts were obtained for the beneficiary production units.
- *Traders.* Several linkages were made by way of traders to penetrate the U.S. market, supporting SMEs in sending samples and quotations. A U.S.-based marketing expert was hired to visit several U.S. cities to promote products from national companies.
- *Incorporation of SMEs into the export chain.* Subcontracting turned out to be a satisfactory means of generating market demand and facilitating the insertion of SMEs into the export chain. The project helped prepare SMEs for the subcontracting of cotton and fine fiber apparel, leatherwork, and furniture-making by adapting their operating capacity, output, production times, and rate of return.
- *Internet marketing.* The project aided the leather goods industry in designing a Webpage for marketing its products. This was complemented by the design of new products and advertising materials.
- *Training to export to neighboring countries.* Training programs were offered to SMEs on exports to neighboring countries, which are regarded as intermediate markets, before proceeding to export to the U.S. market.
- *Coordination with other cooperation projects.* Cooperation with the Danish Cooperation Agency, DANIDA, enabled the project to firm up a joint venture in the wood products industry with a view toward exporting custom furniture to Denmark and Germany, and participating in the High Point fair in October 2005.

INITIATIVES TO FACILITATE CREDIT ACCESS

- *Business plan development.* Assistance was provided to small and medium-sized companies for the development of business plans to be presented to financial institutions.
- *Loan officer training.* Technical assistance was given to financial institutions to update their knowledge of the four productive industries, and to comment on the feasibility of the proposed business plans.
- *Innovative measures to create feasible financing alternatives in trading companies.* The project helped facilitate the entry of an investment partner into a trading company to finance working capital for sub-

contracting companies and to develop and implement a financial system adapted to the needs of buyers and subcontractors.

- *Risk capital fund.* At the request of the government, and in view of the need to surmount financial problems in the productive sector, the project helped design a risk capital fund to support export production industry.
- *Cooperation with the “Premier/USAID” project.* The project worked in conjunction with the recently-launched microfinancing project, “Premier/USAID.” A workshop was organized for exporters and financial agents to familiarize them with the spectrum of innovative instruments available for financing export activities and with the findings of recent studies proposing fundraising alternatives.

SECTION III

BEST PRACTICES AND LESSONS LEARNED

There were many enriching experiences throughout the life of the BTBC project, not only for the companies receiving technical assistance, but also for government agencies, the organized private sector, and the project itself. Because this was a pilot project, the evaluation methodology made it possible to measure and rate project impacts and effects. Below, we present what the project regards as the lessons learned and best practices, which provide important feedback for reflection and point to areas for further development in the project's second phase.

A. LESSONS LEARNED

- *The project should conduct its own situational assessment of a company prior to launching an intervention.* It is important to have a clear sense of a company's situation before deciding on the type of intervention to pursue. Company requests for technical assistance are often premised on an internal assessment that is not always objective or professional. When the project began, it targeted assistance to improving design and seeking external markets. However, it often became evident that the real problem resided in productive processes, inefficient inventory management, and the like.
- *Customize technical assistance to the characteristics of the companies in each sector.* Mechanisms to provide technical assistance to large companies should be distinguished from those used for SMEs. In the former case, technical assistance tends to be more specialized and features a strong technological component, and usually

requires help from international experts. In the latter case, because SMEs usually have a family-based administrative structure, scant financing, and draw their technological development from personal experience, technical assistance provided by local experts can be very successful. The objective of the BTBC project was to include as many of these local experts as possible in the consultants pool.

- *The duration of technical assistance should be based on the effort required to achieve the desired outcomes and on the company's degree of preparation.* When the project began, at the behest of the companies and some government entities, the project accepted requests for technical assistance to respond to short-term situations in certain companies, without the benefit of a prior assessment of the effort necessary. Very short-term forms of assistance do not contribute to enhanced company productivity or job creation, save in exceptional circumstances. On the other hand, one must ensure that technical assistance not go on too long, since it can create dependence. Based on the BTBC project's experience, 12 weeks is a reasonable time frame to produce outcomes in a company with potential. The objective should always be to implement appropriate processes to increase production and employment.
- *Establish intermediate indicators to measure the outcomes of technical assistance to companies.* Based on the objectives set forth in the BTBC project, achievements were to be measured in exports generated, job creation, and the number of SMEs incorporated into the export processes. Despite the success of the technical assistance granted by the project, in some cases, exports did not increase and jobs were not created. Why? One explanation is that without project intervention, the companies might have experienced decreases in exports or been compelled to lay off workers. In other cases, human resources training helped reduce costs (reducing losses and waste while producing gains in terms of time) or improve product quality, which is not reflected as increased employment. This points to the need to develop indicators to measure the real impacts in the companies, to measure areas of additional export potential due to improvements in the productive process, as compared to verifiable increases in exports.
- *The problems of association among SMEs are not easily solved.* At the outset of the project, the government launched a strategy for using the ATPDEA in which SME associations should develop into factory centers [maquicentros]. While progress was made at first, the main hindrance to the establishment of factory centers was the difficulty in creating successful associations among micro and small enterprises due to cultural reasons and distrust. The BTBC project inserted SMEs into the export chain through subcontracts with companies solidly established in external markets.

- *Greater government participation in project activities and evaluation.* During project implementation, communication with the government occurred at a technical level and did not necessarily involve officials at the highest echelons due to constant changeovers in the counterpart ministry. The project stayed its course based on outcome measurements and its joint work with USAID. Nonetheless, more concerted government involvement in developing activities and objectives and in project evaluation would have been desirable.
- *Get a second opinion on the perception of the problems and potential solutions.* In the context of improving the competitive environment, there remains a vast sphere of action for policy-making, institutional support, and training. Given the project's limited resources, it is important to measure the relevance, importance, and urgency of the requested activities. Clearly, the requests stem from a need identified by the public sector or private sector representatives, but it is sometimes necessary to get a second opinion from within the private sector which is, in the final analysis, the real beneficiary of the BTBC project.

B. BEST PRACTICES

- *Establishment of a consultant pool to provide technical assistance to companies.* One of the elements that strengthened the project and distinguished it from similar endeavors was its flexible structure for private sector assistance. Through the consultant pool mechanism, national and international experts were available and worked within a highly versatile structure conducive to rapid response. This practice was more valuable still considering that the initial assessments were not always as useful as they could be; in such cases, the ability to move rapidly to conduct another on-site assessment was important. Without the consultant pool, the support provided would not have had the desired effects and it is likely that the project would have lost credibility in the eyes of the companies.
- *Formal agreements with the beneficiary companies.* Securing the commitment of beneficiary companies was critical to success. At first, commitments were verbal, but it was soon decided to formalize them through Memorandums of Understanding. Once this mechanism had been implemented, the companies demonstrated a higher degree of commitment and co-participation in covering costs. The project determined the matching contributions on a case by case basis, according to each company's characteristics. In general, more prosperous companies were required to give a more substantial matching contribution than that required of smaller companies.

- *Timely reaction to changes in the country situation.* Although this was a short term project, changes in Bolivia led to successive changes of government and pressing national needs. The project remained constantly flexible in order to adapt its activities to needs and challenges, while adhering to its initial objectives. This was achieved through ongoing examinations of the relevance of our interventions and a close relationship with the beneficiaries.
- *Promotion of local capacity to strengthen the national institutional structure.* Implementation of project activities required subcontracts with public entities or private companies experienced in training, communications, productive processes, and so forth. The first step was to identify a national partner through public competitive bidding processes. The involvement of local entities strengthened national capacity from a medium and long-term perspective. Moreover, open, public bidding processes led to healthy competition that strengthened those same entities.
- *Promotion of technological advances in productive processes.* Through the support provided to leading companies in the apparel and wood products industries, technological advances were introduced throughout the industrial sector. In the wood industry, a modern drying system was implemented (glass temperature transition) which uses sudden temperature increases to accelerate the wood drying process; this gave the final product greater flexibility for a wide range of manufacturing purposes. Likewise, the lean manufacturing method was implemented in one production module of Bolivia's largest apparel company. This method increased efficiency from 38 percent to 77 percent and quality levels grew from 80 percent to 87 percent while rejects shrunk from 19 percent to 8 percent and reprocessing levels dropped to 6.7 percent. This system currently is being expanded to other modules of the company with a high degree of success.
- *Adapt the project to the national reality rather than the reality to the project.* Bolivia receives technical assistance from several funders. Economic actors are frequently frustrated when they realize that the projects, despite having resources available, cannot provide the assistance needed because certain demands are not contemplated in the original plan. The BTBC project broke with the traditional setup and adapted its activities to changing circumstances. For example, the project originally contemplated strengthening human resources in foreign trade by means of masters level instruction. The national reality, however, indicated that human resources training needs were more pressing at the management level in the SMEs. Out of this analysis came the strategic management program for SMEs in El Alto, with highly satisfactory outcomes.

- *Comprehensive support for SMEs.* In general, developing SMEs require a more comprehensive approach (improvements to production processes, business management, marketing, etc.) than consolidated companies. Despite its short duration, the project provided integral support to several SMEs that are currently exporting or will soon begin to export.
- *Dissemination of the experience gained.* The experience and knowledge acquired by the consultants throughout the course of the BTBC project were an enriching element that needed to be shared with other companies. However, due to the limited number of direct interventions in production units, it was decided to train and update consultants outside the project so they could apply the experiences in other production units. This was the case with the consultants of the Technical Assistance Service (a governmental entity) who did not always have the levels of expertise that the SMEs expect.
- *Keep a low profile about project activities.* Since the BTBC project was conceived as a pilot phase to lay the groundwork for a more substantial intervention in terms of scope and budget, and because of its technical nature, the project team kept a low profile in the media. This proved effective for achieving project objectives and made it possible to exercise greater liberty in adapting its activities to the realities. The experience of some earlier projects had shown that it is not always helpful to raise many expectations when there is not enough time or money to fulfill publicly announced goals.
- *Recognized tools continue to render good outcomes in the area of communications.* The most successful event was held by an internationally-known lecturer, which attracted attention and brought people together. Attendance was much higher at events announced on TV, which should be taken into consideration when trying to reach a wider audience.

SECTION IV

NEXT STEPS

After a successful experience in assisting production units and improving the competitive environment in a framework of dialogue and interaction with the public and private sectors, much remains to be done. The purpose of this section is to offer guidelines for future activities that could be carried out to lend continuity to the project.

- Considering that one of the project objectives is to increase production, employment, and exports with value added, more intensive support should be provided to the textiles and apparel and wood manufactures industries, based on interventions throughout the production chain. Support for production units should be reinforced through comprehensive technical assistance in the factories to improve their competitiveness and generate more market opportunities. It would be useful to think about creating specialized units to serve these two sectors in the most effective way. One suggestion would be to secure greater participation from the productivity and competitiveness unit, since project activities should be carried out with a medium-range perspective. In this regard, the Bolivian Competitiveness Agreements (ABC) are appropriate instruments for public-private concertation on the vision for each industry.
- Mechanisms should be strengthened to facilitate access to financing for exporting SMEs. During the course of the BTBC project, financing was one of the elements considered critical to economic reactivation and the attendant increase in exports. In all likelihood, the BTBC project would have achieved better outcomes if the companies involved had not had financial difficulties, like the majority of Bolivian companies in recent years. It is important to work in conjunction with local financial institutions to develop flexible instruments adapted for SMEs. These efforts should be complemented by the experience of the Development Credit Authority (DCA) and the establishment of partnerships similar to those sponsored by the Global Development Alliance (GDA),

whose outcomes could, in the medium term, offer creative financing solutions.

- While the first phase of the BTBC project emphasized national consultants, a future phase, broader in scope and duration, should secure alliances with international companies involved in productive processes and international marketing. The experience of the first phase, in which technological advances were obtained in two of the most important manufacturing industries, is proof of the positive, multiplying effects that can be obtained through strategic partnerships in specialized areas.
- In developing a more far-reaching, higher-budget project, the activities should be customized to the needs of the three most important productive regions in Bolivia (La Paz, Cochabamba, and Santa Cruz) through regional competitiveness centers. These centers would be responsible for developing regional market opportunities in industries with export potential, and for aiding SMEs in production, administration, and marketing.
- It is critical to continue strengthening Bolivia's negotiating capacity in new economic and trade integration processes. While an IDB project will be implemented in the near future to support the recently-established international trade negotiations unit, other intervention areas should be reinforced in order to strengthen Bolivia's—and not just the government's—negotiating capability. The experience with Florida International University (FIU) was extremely beneficial and it would be useful to replicate this effort to enhance understanding of negotiating processes and their implications for the domestic economy. This should be done in conjunction with national universities and the Diplomatic Academy of the Ministry of Foreign Affairs, with a view toward strengthening Bolivia's institutions.
- It is necessary to support the ministries acting as project counterparts to enable them to be proactive in future interventions in competitiveness, productivity, and foreign trade.
- SENAPI should be consolidated as the authority responsible for the regulation, oversight, and facilitation of the intellectual property regime, and the private sector must play a more active role in this. Actions should be taken to establish an organizational and management model; to establish administrative, financial, and oversight processes for effective decision-making and optimal use of resources; and to equip SENAPI with an integrated human resources system to facilitate the establishment of an administrative career.

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