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BOLIVIA RURAL COMPETITIVENESS ACTIVITY

Consultant: James Riordan

Activity: Economic Service Center Induction Workshop

The consultant visited Bolivia between November 13 and 19, 2005, to assist ARCo in planning for and conducting an induction workshop for the members of the program's four Economic Service Centers in the economic corridors of the Chapare and Yungas. The workshop, which took place in Cochabamba and was a sequel to an initial workshop in October, had the dual objective of deepening the internalization of the ARCo approach among program personnel and of providing clear guidance for putting that approach into practice.

The comments that follow offer reflections on the workshop and recommendations for moving the program ahead. They are purposely brief to focus attention on those issues the consultant believes to be of most importance.

The author is grateful to have had the opportunity to work closely with the ARCo team. The team's commitment to making a difference is impressive, and the consultant wishes it much success as the program goes forward.

ARCo's niche. Early in the workshop, a concern arose about ARCo's niche, that is, what it offers that distinguishes it from other programs. If most other programs continue to feed the culture of entitlement in the two corridors and ARCo sticks to its guns to move increasingly away from subsidizing commercial activities, some participants wondered how ARCo could induce potential clients to work with it at all.

If experience from PRA in Peru is any guide, there are three key ways in which ARCo can separate itself from the pack and, in fact, make a significant difference. First, despite claims to the contrary, most development programs in the corridors are supply- — that is, production- — oriented. In the worst of cases, the whole question of demand — that is, whether there are buyers to purchase the production in question — becomes almost an afterthought. Although limited in their approach, such programs can make effective partners of ARCo. The very fact that they are so focused on production concerns generally means that they are open to and would welcome the assistance of a program that focuses on demand — that is, the identification of real, live buyers. More than that, there is ample anecdotal evidence that the culture of supply-side



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asistencialismo in the Chapare and Yungas has acted as a strong disincentive for serious companies to invest there. The entry of ARCo can counteract that trend.

Second, many programs offer generalized capacity-building assistance, divorced almost entirely from the transactions that drive business operations. Serious businesspeople not only will welcome ARCo's transaction-specific, problem-solving approach, but will embrace it.

Third, in PRA's mid-term evaluation, clients singled out *acompañamiento* — that is, honest brokering and building of trust among parties predisposed not to work with each other — as far and away the project's most important contribution. By its very nature, this contribution goes beyond conventional business development services and was a service that essentially no one else was providing. There is no reason that ARCo can not do the same in Bolivia.

Tying everything to transactions. In the end, market transactions drive sales and jobs, and it is in connection with transactions that results-oriented assistance can be most effective. During the course of the workshop, a number of participants made the case for spending program resources on generalized capacity building independently of market transactions. Aside from the question whether such a use of resources is in fact an effective capacity-building strategy, Chemonics has a mandate from USAID to deliver results, and every diversion of project dollars from activities that bear a direct relationship to sales and job creation runs the risk of falling short on that mandate. In sum, opportunity cost thinking is essential: ARCo must do not only “good” things, but cost-effective things.

Causes and effects. The reports of the break-out groups during the workshop revealed a surprising absence of logical thinking. The exercises called, first, for the identification of a client business, second, for a diagnosis of the main problems that prevent it from growing, and, third, for the definition of solutions to those problems. As the groups reported back in plenary session, most provided simple “brain dumps” for tasks two and three — that is, a grab-bag of problems constraining the client's growth followed by a separate grab-bag of possible solutions to problems the client might face. In other words, the groups made little attempt to link analytically the choice of solution(s) to the nature of the binding problem(s). As the Economic Service Centers go through the same process with real clients, it will be essential that they break out of this mold. A project that holds itself accountable for results must apply means-ends thinking to the use of its resources. In fact, the very attribution of the results to the program depends on it. (The author understands that the process of developing the Annual Operating Plan has gone far to address this concern effectively.)

Discipline. In a similar vein, a number of the break-out groups failed to relate expected results to the costs required to bring those results about. In Peru, PRA adopted what it called the 5:1



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rule to bring discipline to the process: only provide a business development service if it is reasonable to expect an increase in a client firm's sales five times the cost of the service in question. The ratio does not need to be 5:1, but it would probably make sense for ARCo to adopt some quantitative criterion to enhance the likelihood that its expenditures will indeed be economical. (Again, the author understands that the process of developing the Annual Operating Plan has gone far to address this concern effectively.)

Success stories. Developing, documenting, and disseminating client success stories in the very near future will be key to ARCo's success. In country after country, businesspeople are wont to wring their hands, moaning that they cannot compete. Once they see peers who succeed, though, the reaction often shifts to, "I can do it, too." Communicationswise, the impact of a program like ARCo hinges, not on telling people what it plans to do, but on developing an aggressive strategy to disseminate success stories broadly.

Follow-up training. As time passed in Peru, most of PRA's Economic Service Center personnel learned increasingly from their own experience and from lateral communication with each other. In that connection, it would probably be wise for ARCo to convene center staff regularly not only to reinforce the internalization of the program's approach, but to provide an opportunity to foster learning one from another. In Peru, the PRA central office brought in the heads of its centers at least once every six months and all center staff at least once a year.