

Technical Assistance Facility for Latin America and the Caribbean

SIMPLIFYING MUNICIPAL BUSINESS REGULATIONS IN TARIJA, TRINIDAD AND MONTERO (BOLIVIA)

Project dates: December 2003 – January 2006

Country: Bolivia

Partners: Municipality of La Paz, Ministry of Economy, UPC (Unit of Productivity and Competitiveness), FUNDES, FAM (Federation of Municipal Associations of Bolivia)

Sponsors: Norwegian Trust Funds, Swiss Secretariat for Economic Affairs (seco)

Context

The results from *Doing Business in 2004* identified Bolivia as the most heavily regulated country in the region. Starting a business required at least 67 days, 18 steps (each involving several procedures), and more than 166% of the per capita GDP. Not surprisingly, given the strong correlation between bureaucracy and informality, Bolivia also registers one of the highest levels of economic informality in the world. Studies estimate that Bolivia has between 54,000 and 95,000 informal manufacturing enterprises and as many as 335,000 informal enterprises in total, representing as much as 82% of the country's economic activity. Such extreme informality has often been cited as one of the primary constraints for Bolivia's productivity due the limitations informality places on business growth.

Project

To address these issues, the IFC Technical Assistance Facility for Latin America and the Caribbean, in collaboration with FUNDES, partnered with the municipal governments of Tarija, Trinidad, and Montero (Bolivia) to simplify regulations for business start-up. The project built on previous IFC-FUNDES simplification work in La Paz and followed a similar methodology, including the following components:

- **Diagnostic:** analysis of the requirements and procedures required by business firms to obtain the operation and construction licenses in order to identify opportunities for simplification—e.g., bottlenecks, redundancy, and unnecessary documentation.
- **Proposal:** based on the results of the diagnostic, the team designed a proposal for reengineering the process and organized validation workshops with the municipality staff to ensure the new reforms would be accepted.
- **Implementation:** executing the proposal, including capacity building of municipal employees, the design and validation of the required tools (i.e., Operations Manuals) and monitoring of the process for improvements.
- **Tracking software design and implementation:** design and implementation of a software package to give entrepreneurs, municipality staff and other stakeholders access to the workflow in the registration process.

Results

The results from the are summarized below:

Municipality	Operating License (w/o Inspection)			Operating License (w/ Inspection)		
	Before	After	% Reduction	Before	After	% Reduction
Montero						
Steps	37	20	45.9%	44	25	43.2%
Time (days)	7	1	85.7%	7	3	57.1%
Requirements	11	4	63.6%	12	5	58.3%
Trinidad						
Steps	78	11	86.0%	107	23	78.5%
Time (days)	11	0.19	98.3%	16	3	81.2%
Requirements	21	8	61.9%	29	8	72.4%

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Results (cont'd)

Municipality	Operating License		
	Before	After	% Reduction
Tarija			
Steps	39	11	41.0%
Time (days)	4	2	50.0%
Requirements	12	5	58.3%

The simplified regulations have, in fact, encouraged new business registration. In Montero, monthly registration has increased from 45 to 69, and, in Trinidad, new business registration has increased from 15 to 25 per month. Tarija has witnessed the largest increase, jumping from 58 to 114 new businesses registered each month.