

Thursday, February 18, 2009

Making globalization work for the working poor

The Global Fairness Initiative (GFI) promotes a more equitable, sustainable approach to economic development for the world's working poor by advancing fair wages, equal access to markets and balanced public policy to generate opportunity and end the cycle of poverty

Investing in the "Missing Middle"



GFI's sister organization, The Synapse Market Access Fund is filling the often overlooked need for mid-level financing in poor communities around the globe. Making investments where microfinance cannot and commercial banks will not, Synapse is helping small-producer communities access financing and connect to high-value, sustainable markets for their products.

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At GFI we believe in dialogue and see engagement as key to creating fair and sustainable development initiatives. Join our dialogue by connecting to GFI.

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Recommended Reading

Andrew Evans reflects on the informal economy in Bolivia

Former GFI Program Manager Andrew Evans shares his experiences working to

Our Work:

GFI Board Member Reema Nanavaty Discusses Creating Trade Opportunities for Farmers in India

For the last five years, GFI has worked with the Self Employed Women's Association (SEWA) to develop trade facilitation centers in Gujarat, India. The Women Farmers with Global Potential (WFGP) program works with 27,000 women farmers, having set up women-run Farmer Development Centers throughout Gujarat. These centers provide a safe space for women producers to develop business plans, learn about finance options, discuss policy changes, and more. The centers also serve as trade facilitation hubs for producers of agricultural commodities such as cumin, wheat, chili, sesame seeds, and castor oil, as well as finished products such as garments.

GFI Board Member, Reema Nanavaty, explains, "SEWA [set up] Trade Facilitation Centres in which the artisans were the main shareholders - 65 percent of the sales went to them directly." Reemaben was quoted in Azera Rahman's article, published throughout the Indian media on January 17, 2010. The article focuses on SEWA's success exporting embroidered ethnic clothing, which has been showcased in the Madrid and New York fashion week. The improvement in costs and the increase market access that these centers provide have created security for women who would otherwise be counted amongst the poorest of the world's poor.

For the full article see:

<http://www.sindhtoday.net/news/1/93374.htm> or <http://www.indiannewsupdates.com/latest-feature.aspx?id=462>

Salt Farmers Livelihood Initiative

Next quarter, GFI will launch a feasibility study to identify clean technologies options for reducing energy costs and increasing profit margins for women Salt Farmers in India. Salt farmers in Gujarat are some of the poorest workers in the world and see significant reduction in their limited livelihoods due to the high-energy cost of the diesel fuel needed to operate pumps that extract brine for salt production. Because of the remoteness of salt farms and the inaccessibility of fuel supplies, predatory middlemen inflate prices hindering economic sustainability for these farmers. In response to this challenge, GFI and SEWA have developed a sustainable energy technology initiative to lower input costs and maximize clean-tech opportunities so marginalized farmer can



improve workers livelihoods in Bolivia

New Chamberlains of the World

GFI Board Chair & Former President of Costa Rica, Jose Maria Figueres discusses Copenhagen in "Take Part"

also benefit from the "green economy". The Salt Workers Economic Empowerment Program (SWEET) will capitalize on existing clean energy technology and production methods and will additionally improve links to high-value markets for salt products so as to create greater local ownership and control of salt farming inputs and production outputs. The SWEET initiative is part of GFI's program driven mission to ensure that the poorest workers too can benefit from green innovation and economic opportunity.

GFI In the News:

Discussions on Reducing Informality Take Main Stage in Central America PILAR's Country Representative, Otto Navarro, stressed the impact of the growth of the informal sector in Central America, especially for women entrepreneurs who have to balance child care and their small business as farmers, street vendors, and more:

<http://www.ipsnews.net/news.asp?idnews=50352>

Feature:

Extending Social Safety Nets, Reducing Informality & Expanding the Tax Base in Emerging Markets: A Look At Tax Registry Programs in Latin America



Even before the current economic crisis, official statistics indicated that the informal sector in developing economies accounted for nearly half of total non-agricultural employment in East Asia, over half in Latin America and the Caribbean, and as much as 80 percent in other parts of Asia and in Africa. To promote sustainable economic growth, GFI is leading efforts in Nicaragua and Guatemala to extend labor rights and social safety nets to informal workers, while simultaneously creating incentives for formalizing businesses and expand economic growth.

GFI is currently leading national roundtable discussions to finalize a national strategy (roadmap) for formalization for both countries.

The strategy being discussed is a voluntary registration system that allows small enterprises to pay a monthly set fee, which covers payment of a variety of taxes as well as payments for social security, health care and other social safety nets.

In Guatemala, national roundtables are reviewing the implementation of such voluntary registration projects throughout the region. For example, in Argentina registration for small enterprises was simplified under law 24.977 (passed in 1998), abridging separate tax payments and formularies. This law established the *monotributo* mechanism, which includes sales tax, added value tax, social security payment as well as contributions to a selected social project. To qualify for this program, small enterprises only need to meet the following criteria:

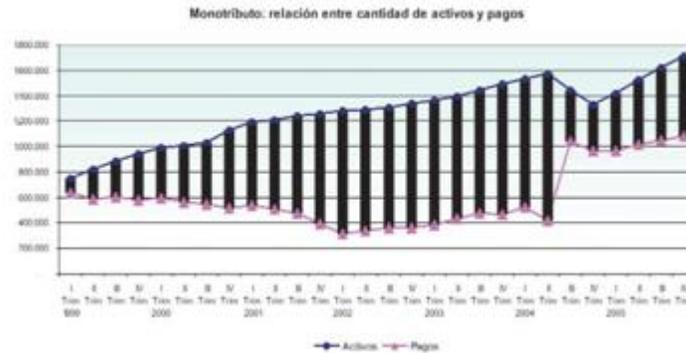
- Invoiced annual incomes less than US\$144,000
- Unit sale price under US\$870 (except furniture)
- No importation of goods or services

On the first month of the start of the program back in 1998, registration increased to 604,598 tax payers, which represented 11.4% of the total number of registered tax payers that year. Though registration continually rose since the inception of the project, collection of payments remained elusive. These changed thanks to a second amendment, which took effect on July, 2004. The amendment added categories of payment, where payment amounts are now organized in accordance to:

- The amount of gross receipts

- Square meters in use by enterprise
- Electricity used
- Average unit of sale

As, published by the Argentinean taxation Agency in 2006, it wasn't until the amendment came into effect that in 2005 payments started to increase in tandem with registration, as seen in the graph below.



Thus, cost was a critical matter for compliance, even greater than benefits offered. Benefits were not minor, enterprises registered under the monotributo, for example, do not generate tax obligations of the sales tax or profit, have no need to submit tax declarations, do not need to keep accounting logs, and have access to public health care. Though lessons learned have been noted, the program has been considered a success; not only due to the increase in registration but also a fiscal success, as contributions compensated tax collection costs.

Chile's system provides informal workers access to pensions for disability, widows, unemployment, and retirement. However, recognizing the frequency of unstable employment, the payments do not need to be monthly; instead, contributions are based on 80% of the taxable gross income and can be paid annually through a tax affiliate. Independent workers who have not had an income are exempt from mandatory contributions but can do so on a voluntarily basis, still covered under the pension system through government subsidization. The Chilean government has recently begun providing independent workers with educational resources necessary to learn about their rights, entitlements, and obligations.

Increasing the availability of these social safety nets by designing programs that adapt to the irregularity of these informal workers would allow the informal sector to better fare economic downturns and reach economies of scale. These are key goals for developing nations that strive to achieve sustainable economic growth.