The Global Fairness Initiative (GFI) is an international non-profit based in Washington, D.C. focused on eliminating economic isolation to build more stable markets. In Central America, GFI is leading efforts to expand economic growth by creating incentives to formalize businesses and extend labor rights and social safety nets to informal workers. To achieve success, GFI relies on a participatory multi-stakeholder methodology that builds trust, promotes feasible policies, and develops technical skills. GFI’s successful implementation of the multi-stakeholder process for economic integration with specific examples from our programs in Guatemala and Nicaragua is detailed below.

Multi-Stakeholder Process

Emerging markets throughout the world struggle to improve national and local governance mechanisms. A clear example is the large number of workers and enterprises who, after decades of international aid and national development programs, remain on the periphery of legality and struggle to survive in the informal economy. Conservative estimates put informal employment at one half to three quarters of all non-agricultural employment in Africa, Asia, and Latin America (Chen, Martha, 2005).

This begs the question: If informality in many countries provides the majority of new jobs, why spend the time, money, and effort to integrate it into the mainstream? Because the informal economy is composed of vulnerable workers, including small-scale farmers, domestic workers, home-based workers, children, wage employees, and small enterprises, who cannot weather economic downturns but could thrive with access to social safety nets and formal services that provide legal and physical safety. Integrating informal workers is a necessary government initiative to improve labor rights enforcement, employment conditions, competitiveness, and thereby create a more resilient national economy. To bridge the current citizen-policy divide, GFI has put into practice a multi-stakeholder process for economic integration:

QUANTIFY: Improving Access to Data
Well-developed and effectively implemented government programs start with good data. As a first step GFI and/or our partners conduct a thorough analysis of a government’s data collection, analysis, and dissemination capacity. From the data assessment, we develop discussion topics that address the most pressing needs—while searching for consensus.

QUALIFY: Understanding the Target Community
To implement successful economic integration programs it is imperative to understand the culture and perceptions of the target community, in this case specific subsectors within the informal sector, and the social and economic challenges they face. For example, in 2008 GFI conducted in Guatemala a national public opinion survey and focus groups on the obstacles and barriers to formalization as well as on ways to extend labor rights to the
informal sector. The survey revealed that a significant percentage of informal workers (67%) were agreeable to registering and paying taxes if the processes were clear and if workers gained access to government services such as social security. The media attention surrounding the survey results changed the perception that informal workers preferred informality, and the recommendation of a simplified tax registration system providing access to a pension fund created a national consensus not seen since the peace agreements.

**ENGAGE: Multi-Stakeholder Dialogues**

Selected topics generated in the first two steps inform the design of the multi-stakeholder engagement and the timing of the topics to be discussed at roundtables (at local, regional, and national levels as needed). The roundtables focus on strategies for addressing the problem, keeping in mind crosscutting issues. In Guatemala, roundtable discussions on formalization looked at issues such as labor rights, women and informality, and vulnerable groups. The strategies include incentives – for example, social security and better access to financial services and credit – to bring informal workers into the formal economy and improved government practices – such as streamlining bureaucratic practices and improving tax collection.

**EDUCATE: Building Capacity**

Policies have impact only if the various stakeholders can implement them or have the knowledge and skills to use them once implemented. Sustainable change may require technical assistance and sensitivity trainings for those at the top and skill- and capacity-building for those looking to move up. Trainings are tailored based on the results of the data analysis and surveys. For example, in Nicaragua, GFI provided self-esteem trainings to domestic workers before skill trainings, as this created the necessary motivation and leadership for young girls to envision a professional future. Similarly, GFI worked with local government entities to adapt government programs so that they changed their work schedule to more flexible hours that adapted to the needs of domestic workers.

**Methodology in Action**

Integrating marginalized workers into mainstream national economies presents many structural barriers, as informality has been a contentious issue for policy makers and the private sector throughout the world. To address the core economic and cultural challenges of the informal economy, GFI successfully brought together stakeholders in the informal and formal economies of Guatemala and Nicaragua. Through the use of surveys, targeted trainings, and strategic national roundtable discussions, we helped the parties build consensus and move forward a strategy for formalization that could bridge existing divides. GFI, using its multi-stakeholder process, assisted in the development of tools necessary to create sustainable needs-based policies and programs that promote an inclusive economy and stable democracy. The result was a comprehensive *Roadmap for Economic Formalization* for both governments, streamlining the registration of workers and enterprises for the extension of universal social security benefits. The Minister of Labor of Guatemala, Mr. Edgar Rodriguez, committed his government to work on the implementation of the recommendations, stressing the importance of the Roadmap as a tool for the design of effective public policies and requested the future assistance of GFI. Under the Comisión Presidencial del Sistema Nacional de Dialogo Permanente, the Roadmap was used to pilot a registration program for street vendors (currently underway). In Nicaragua, Verónica Rojas, Vice Minister of Industry and Commerce (MIFIC), stressed the importance of the Roadmap’s recommendations for reaching out to informal workers in a more effective manner and ensuring the most successful application of the “One-Stop Window.” For more information contact adelgado@globalfairness.org.