

**DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK
MULTILATERAL INVESTMENT FUND**

DOMINICAN REPUBLIC

DEVELOPMENT OF A FRANCHISE MODEL FOR THE BUSINESS SECTOR

(DR-M1020)

DONORS MEMORANDUM

This document was prepared by the project team, consisting of: Elena Heredero (MIF) and Federico de Arteaga (MIF/OPS), Joint Team Leaders; Dora Moscoso (MIF/DEU); Adalgisa Adams and Carolina Escudero (CID/CDR); Carlos Novoa (CAN/CO); and Juan Carlos Pérez-Segnini (LEG).

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ACRONYMS AND ABBREVIATIONS

AWP	Annual work plan
CCPS	Cámara de Comercio y Producción de Santiago [Santiago Chamber of Commerce and Production]
ESR	Environmental and Social Review
IDB	Inter-American Development Bank
MIF	Multilateral Investment Fund
PCR	Project Completion Report
PCU	Project Coordination Unit
PPMR	Project Performance Monitoring Report
SMEs	Small and medium-sized enterprises

GLOSSARY

Franchisor	Owner or beneficial user of a trade name or business trademark, and of a set of knowledge and experiences (know-how).
Franchisee or franchise holder	Entrepreneur who joins the franchisor's commercial system, to operate one or more business units using the franchisor's trade name, trademarks, system and technical assistance.
Commercial franchise	<p>System involving the reproduction of a successful commercial business or industrial model, in a chain of legally independent operators. The characteristic elements of a commercial franchise include the following:</p> <ol style="list-style-type: none"> 1. A binding contract. 2. Shared use of a trademark or trade name owned by the franchisor. 3. Initial transfer of the franchisor's know-how to the franchisee (in the form of an operating manual and initial preparation and training). 4. Constant technical assistance from the franchisor to the franchisee, in the form of operational support, retraining, and technical and commercial/industrial oversight. 5. Legal independence between the parties, whereby each acts in its own name, on its own account, and at its own risk. 6. Uniformity of operation, whereby the franchisee is required to operate according to strict rules provided by the franchisor.
Microfranchise	Model that offers business opportunities to the poorest sectors, by downscaling profitable business concepts existing in the most successful firms or nonprofit organizations.
Franchise network supplier	Entities that negotiate centrally with the franchisor enterprise on commercial and contractual issues for supplying the entire network.

DEVELOPMENT OF A FRANCHISE MODEL FOR THE BUSINESS SECTOR (DR-M1020)

I. EXECUTIVE SUMMARY

Country:	Dominican Republic		
Executing agency and beneficiary:	The Santiago Chamber of Commerce and Production (CCPS), as national coordinator, in conjunction with six Chambers of Commerce from each participating region: Santo Domingo, San Cristóbal, La Romana, La Vega, Puerto Plata, and San Francisco.		
Beneficiaries	The direct beneficiaries are: (i) at least 50 franchisor firms and 50 franchisees that receive technical assistance to launch their franchise; (ii) potential franchisees, of which 200 will be self-diagnosed; (iii) 50 professionals who will be trained to provide consulting services on franchise systems to microenterprises and small and medium-size businesses (SMEs); (iv) at least six arbitrators, who will be trained to settle franchise disputes; (v) 3,000 persons who will receive information on the franchise model; and (vi) other institutions, such as financial entities, universities, and trade associations that will be able to join the project and contribute to its demonstration effect and sustainability.		
Financing:	Modality:	Nonreimbursable	
	MIF	US\$	719,797 (70%)
	Local	US\$	301,220 (30%)
	TOTAL	US\$	1,021,017
Objectives:	The project's goal is to contribute to the sustainable growth of SMEs in the Dominican Republic. Its purpose is to promote implementation of the franchise model to encourage the expansion of local SMEs. To that end it will implement the following components: (1) legal analysis and compilation of best franchising practices; (2) dissemination and awareness raising on the opportunities provided by the franchise model; (3) training and technical assistance for franchise development; and (4) a system for monitoring, documentation, and dissemination of results and lessons learned.		
Execution timetable:	Execution: 36 months		
	Disbursement: 42 months		
Special contractual clauses:	Conditions precedent to the first disbursement will be: (a) an agreement between the CCPS and the other six Chambers; (b) establishment of the project execution steering committee; and (c) preselection of the Coordinator.		
Exceptions to Bank policies:	None		

Coordination with other official development finance institutions:

There are no similar projects being funded by other official development institutions at the present time.

Social and environmental impact:

This Project has been classified as “C” (ESR of 22 January 2008).

II. BACKGROUND

- 2.1 **Franchising and its development in the Dominican Republic.** Franchising is a successful business expansion formula with a considerable economic and social impact. Statistics from the International Franchise Association (IFA) show that only 5% of independent businesses survive more than five years, whereas the figure rises to 95% in the case of franchises. A recent study conducted in the United States shows that 10% of private sector economic activity is generated by franchises, which employ over 18 million people. The Latin American countries where franchising has developed most are Brazil and Mexico, in that order. These countries had, respectively, 814 and 730 franchises in 2004, involving 50,028 and 42,000 sales outlets (franchised and own), and revenue of US\$13.9 and US\$7.3 billion. In both cases, the majority of franchises were small or medium-sized local enterprises, and these now outnumber foreign franchises.
- 2.2 The spread of franchising in the Dominican Republic has been marked by fast food, (following the entry of Kentucky Fried Chicken in the 1970s) and car rental in the services sector, with firms such as Budget Rent-a-Car, among others. The first of these was unsuccessful, owing to a number of cultural and social circumstances, but companies in the second group are still competing with each other. Growth was most aggressive between the late 1980s and mid-1990s, when foreign franchises became established in the country.
- 2.3 There is little information on the franchising market in the Dominican Republic at the present time, because most of the franchises currently operating are foreign, coming mainly from the United States. The fact that they do not subfranchise prevents a single-unit franchising market from emerging beyond the local firms that offer franchises. A report published in 2005, by the Dallas, Texas office of the attorneys Haynes & Boone, says there are roughly 250 franchises in the Dominican Republic, with 900 outlets, generating 10,000 jobs. An estimated 95% of franchises in the country are foreign. In terms of sector organization, the Dominican Franchise Association was set up in 2000; but although its founding partners are local franchises such as Helados Bon and Pizzarelli, it is not a very active institution in the market, and it lacks visibility, convening power, and capacity to promote and mass-market franchising among the business community. There are also no public sector initiatives to promote franchising.

- 2.4 The main obstacles to the development of local franchises include: (a) ignorance of the relevant laws. In the case of local firms, franchising in the Dominican Republic is subject to the Code of Commerce, which allows contracts to be made between the franchisor and potential franchisees. Other laws applicable to franchises are scattered among commercial, civil, tax, trademark and administrative legislation, as well as other legal sources, which need to be compiled and disseminated to enable entrepreneurs to take them into account when franchising their businesses; (b) lack of a franchising culture among the business community. Many entrepreneurs still see a franchise as merely a contract, and there have also been experiences of local franchises that failed because they were developed incorrectly and without adequate advice, thus generating prejudices against the system; (c) the availability of consulting services is limited and there is only one international firm with an office in the country. Other consulting services consist of a number of law firms that have drawn up franchising contracts. The aforementioned consulting firm, along with the Dominican Franchise Association, are the only institutions that have endeavored to promote franchising through sporadic seminars and workshops, and the organization of business fairs between foreign franchisors and potential franchisees.
- 2.5 **Santiago Chamber of Commerce and Production Inc.** The mission of the CCPS is to serve its members' needs, fulfilling its legal authority, increasing the number of member firms and strengthening ties with development promotion agents. The CCPS has also earned considerable prestige among the business community for its ideas and proposals, and for its identification with the social problems of this city. In recent years, it has given high priority to providing training for the business community in Santiago, organizing talks and seminars on various topics, particularly in the administrative area, which have been well received by the business community. Over the last 20 years, it has organized the country's leading multisector trade fair "Expo Cibao," which attracts participation from over 250 firms from different sectors of the economy.
- 2.6 The project innovates by promoting greater knowledge and implementation of franchising among microenterprises and SMEs, as a proven means of expansion for low-risk businesses. Thus far, however, franchising has received scant attention and underused by the local business sector. Acting through its six associate Chambers, the CCPS will coordinate various project activities and use its role as President of the Federation of Chambers of Commerce to expand the scope of the project throughout the country and thus enhance its demonstration effect. A further aim is to improve knowledge of successful experiences in other countries of the region, and integrate more closely with the countries of the Free Trade Agreement between the United States, Central America, and the Dominican Republic.
- 2.7 The project forms part of the Franchise Cluster and will incorporate lessons learned from the franchise project currently being implemented in Colombia (ATN/MH-9541-CO).

III. OBJECTIVES AND COMPONENTS

- 3.1 The project's **goal** is to contribute to the sustainable growth of SMEs in the Dominican Republic. Its **purpose** is to promote implementation of the franchising model to encourage the expansion of local SMEs. To that end it will implement the following components: (1) legal analysis and compilation of best franchising practices; (2) dissemination and awareness raising on the opportunities provided by the franchise model; (3) training and technical assistance for franchise development; and (4) a system for monitoring, documentation, and dissemination of results and lessons learned.
- 3.2 **Component 1. Legal analysis and compilation of best franchising practices (MIF: US\$12,500; Counterpart: US\$0).** The objective of this component is to compile laws relating to franchising, such as the law on intellectual and industrial property, registration of trademarks, and best international practices, to establish a frame of reference for the organization of franchises, which is adapted and applicable to the Dominican setting and allows for future expansion and consolidation.
- 3.3 The following activities will be financed: (i) compilation of existing laws applicable to franchising; and (ii) review and validation of the guide to good franchising practices generally adopted by the market. A consultant specializing in commercial law will be hired to compile and systemize laws applicable to franchising in the Dominican Republic, which are scattered among commercial, civil, tax, trademark, and administrative legislation, as well as other legal sources. This component will publish a compendium of laws on the franchising portal and a guide to good practices generally adopted by franchising firms and specialized consultants.
- 3.4 **Component 2: Dissemination and awareness-raising on the opportunities of the franchise model (MIF: US\$4,600; Counterpart: US\$ 38,600).** The purpose of this component is to increase knowledge among microenterprises and SMEs, and among the public at large, on the advantages and benefits of the franchise model, and thus generate demand. The CCPS and associate Chambers (i.e. San Francisco de Macorís, Puerto Plata, La Vega, La Romana, San Cristóbal, Distrito Nacional), will undertake the following activities: (i) design and implementation of a promotional campaign and media plan; (ii) seminars to raise awareness and provide information on the project design and; (iii) launch of the franchising portal. The promotional campaign will initially target potential franchisors and franchisees, and design a media plan for communicating with the various target groups.
- 3.5 As a result: (a) 3,000 people (from universities, professional groups, trade associations, Chambers, financial institutions) will gain awareness and receive information on the topics of franchising, methodology, scope, and the opportunities for all involved, through 100 seminars; (b) awareness-raising activities will be undertaken with 500 potential franchisors, and the franchising portal will be launched as a basic tool to keep the interested and informed public up-to-date, as well as producing an online directory of consultants and participating firms.

- 3.6 **Component 3: Training and technical assistance for franchise development (MIF: US\$411,000; Counterpart: US\$142,000).** This component's objective is to train entrepreneurs and consultants on how to franchise a successful business and provide a group of microenterprises and SMEs with the technical assistance they need to implement franchise structuring plans, and thus generate a demonstration effect among the business community. The component will have the following two subcomponents: **3.1. Development of the supply of technical assistance and arbitration services**, with the following main activities: (i) design and instruction of legal, commercial, and process modules for consultants; and (ii) design and instruction of courses for arbitrators and conciliators; and (iii) design an instruction of modules for entrepreneurs; and **3.2 Technical assistance on franchise development for SMEs**, the main activities of which will be: (i) design of franchise structuring plans and entrepreneurial training; (ii) adaptation of forms and instructions for self-assessment developed in the Colombia Franchise Project, for the franchisor and potential franchisee; (iii) implementation of self-assessment by potential franchisor franchisees; (iv) self-assessment completed by potential franchisees; and (v) franchise development plans implemented and cofinanced with participation by a microentrepreneur, either as microfranchisor or franchisee.
- 3.7 Technical assistance will be provided for the franchise development plan through a cofinancing program for up to 50% of the total investment in consulting fees, with a maximum of US\$10,000 for each plan.¹ The process through which technical assistance is provided is described in detail in the Operating Regulations.
- 3.8 As a result, it is expected that at least 50 individual consultants will be trained to provide franchise advisory services for SMEs; at least six arbitrators and conciliators will receive training on franchising in the leading Chambers; at least 50 franchisor firms will receive training and start operations, supported by at least one franchisee; and of those 50, at least five will have participation from a microentrepreneur, either as microfranchisor or as franchisee.
- 3.9 **Component 4: System for monitoring, documentation and dissemination of results and lessons learned (MIF: US\$10,000; Counterpart: US\$10,540).** The purpose of this component is to monitor and document the evolution of the project, participating firms, and the franchise market in the Dominican Republic, providing continuous evaluation making it possible to correct errors, exploit the knowledge acquired, and thus lay foundations for extending the life of the system created over time.
- 3.10 Funding will be provided for the following: (i) documentation and systemization of the project experience; (ii) preparation of a plan of action for the project's institutional, financial and operational sustainability; and (iii) a project closure seminar. The results will include a technical manual systemizing project experiences and disseminating the main achievements and replicability factors.

¹ Consulting fees currently average an estimated US\$20,000.

IV. PROJECT COST AND FINANCING

- 4.1 The estimated total cost of the project is US\$1,021,017. The MIF will contribute US\$719,797 in nonreimbursable resources from Facility III-A, and the CCPS and other participating Chambers will provide US\$301,220, of which at least 50% will be in cash. The estimated project budget is presented in the following table.

(U.S. dollars)			
Budgetary categories	MIF contribution	Local contribution	Total
Staffing	137,400	39,200	176,600
Logistics	22,880	70,880	93,760
Component 1	12,500	0	12,500
Component 2	4,600	38,600	43,200
Component 3	411,000	142,000	553,000
Component 4	10,000	10,540	20,540
SUBTOTAL	598,380	301,220	899,600
Contingencies 5%	29,919		29,919
Baseline, 2 evaluations and impact	47,992		47,992
Audit	10,000		10,000
TOTAL	686,291	301,220	987,511
Cluster activities	15,000		15,000
Impact evaluation account (0.5%)	3,431		3,431
GRAND TOTAL	704,722	301,220	1,005,942
Percentages	70%	30%	100%

- 4.2 The benefits are expected to be sustainable and lasting, since all the tools made available to microenterprises or SMEs can continue operating, conditions having been created for the system to grow on its own. These conditions include entrepreneurs who are informed and aware of the franchise model; Chambers of Commerce that maintain close contact with their business communities; potential franchisees with greater knowledge of this growth modality; and the institutional bases of the system duly organized and systemized, in terms of their legal, contractual, commercial, financial, and operational aspects, with a developed, trained, and well established consulting services market. Participation by the prestigious training institute INFOTEP will make it possible to train trainers to give sustainability to the training mechanisms created under the project, and to set up franchise training modules to continue providing services in this area. The results of the Component 4 replication and sustainability strategy will be presented at a workshop to be attended by Bank representatives, the aim of which is to define indicators and goals for the project to continue autonomously after MIF support has come to an end.

V. EXECUTING UNIT AND MECHANISM OF EXECUTION

- 5.1 The project will be implemented by the Santiago Chamber of Commerce Inc. as national coordinator. The CCPS was founded as a nonprofit institution on 2 October 1914, with the aim of becoming the leading association for the Santiago business sector, and to promote its members' comprehensive development by providing innovative services. The institution's mission is limited to providing services that respond to its members' demands, fulfilling its legal authority, increasing the number of member firms and strengthening ties with development promotion agents. The CCPS has also earned considerable prestige among the business community for its ideas and proposals, and for its identification with the social problems of this city. In recent years, it has given high priority to providing training for the business community in Santiago, organizing talks and seminars on various topics, particularly in the administrative area, which have been well received by the business community. Over the last 20 years, it has organized the country's leading multisector trade fair "Expo Cibao," which attracts participation from over 250 firms from different sectors of the economy.
- 5.2 Acting through its six associate Chambers, the CCPS will coordinate various project activities, and will use its role as President of the Federation of Chambers of Commerce to expand the project's scope throughout the country and thus enhance its demonstration effect. The CCPS will be the executing agency and will sign the agreement with the Bank. The Project Coordination Unit (PCU) will be located in the CCPS, reporting to the Bank's Country Office in the Dominican Republic. The PCU will be directed by a Coordinator and supported by an administrative assistant and a part-time accountant.
- 5.3 The **Operating Committee** will consist of four members: in principle, the Executive Director of the CCPS and three representatives from the Chambers² on a revolving basis. The committee's functions are: to agree upon strategic guidelines, supervise the Coordinator, and approve reports and budgeting. The Coordinator will report directly to the Executive Director of the CCPS. The latter will be responsible for selecting the Coordinator, implementing and ensuring compliance with the Operating Regulations, supervising the budget and fulfillment of execution through the approval of semiannual progress reports, helping to identify and possibly providing additional resources to support the project; and providing conditions to ensure its sustainability. At least one meeting will be organized per month, along with any additional sessions needed for project execution. Another institutional player will be the **Consultative Council**, whose members would in principle be the CCPS, the six regional coordinating Chambers³ the Franchise Association, the National Competitiveness Council, the Ministry of Industry and Trade, FONDESA, and INFOTEP. The Council will hold three meetings per year, with the Bank participating as an observer.

² Chambers of Commerce of Santo Domingo, San Cristóbal, La Romana, La Vega, Puerto Plata and San Francisco.

- 5.4 **Execution period and disbursement schedule.** The project is expected to be implemented in three years (36 months) and disbursed over 42 months. A revolving fund will be set up for 10% of the MIF contribution, which will be disbursed and managed in a separate account.
- 5.5 **Project readiness.** Agreement has been reached with the CCPS and the coordinating Chambers, in terms of the project's objectives, components, activities, and budget. Letters of counterpart commitment have also been signed, and the interagency agreement has been received. Lastly, the profiles of members of the Coordination Unit have been defined and draft Operating Regulations have been prepared.
- 5.6 **Procurement.** Procurement of goods and nonconsulting services will be subject to the provisions established in *Policies for the procurement of goods and works financed by the Inter-American Development Bank* (document GN-2349-7) of July 2006. Consultants will be selected and contracted in accordance with *Policies for the selection and contracting of consultants financed by the Inter-American Development Bank* (document GN-2350-7) of July 2006. The executing agency may use any of the selection and contracting methods envisaged in the Bank's policies. All procurement and contracting processes will abide by the Procurement Plan, which the executing agency will prepare at the start of the operation and update annually. The Procurement Plan must have Bank approval before any procurement or contracting process is undertaken.

VI. MONITORING AND EVALUATION

- 6.1 The Bank's Country Office in the Dominican Republic will be responsible for supervision and oversight activities, monitoring compliance with contractual clauses, processing disbursement requests, and receiving audited financial statements. The CCPS will submit semiannual status reports and a final report, in accordance with the Bank's standard information requirements. The Bank's Country Office will use these reports to prepare PPMRs and the Project Completion Report (PCR). A **closing workshop** will be scheduled for the end of execution to evaluate outcomes achieved and actions needed to increase the project's impact. An audit will be performed pursuant to the relevant Bank policies. The Bank and the executing agency will jointly hire an expert for the evaluations. Two evaluations will be performed: one when 50% of project funds have been disbursed or when half of the execution period has elapsed; and the second, one month after the end of project execution. Based on the logical framework indicators and project reports, these evaluations will identify any significant discrepancy in the execution of activities and recommend corrective measures, highlighting lessons learned.

VII. BENEFITS AND RISKS OF THE PROJECT

- 7.1 **Benefits.** The specific benefits for franchisor and franchisee firms will be as follows: For the franchisor firms, the modality represents: (i) a change in internal processes, commercial practices, tax status, and legal situation, all of which will bring significant improvements in terms of legal and image aspects, business strategy, expansion and internal logistics; (ii) faster growth; (iii) better access to economies of scale; (iv) standardization of processes; (v) reduced risk; (vi) enhanced brand value; (vii) optimization of the use of statistical management tools; and (viii) additional revenue sources. The franchisee, on joining an existing network: (i) gains immediate access to a recognized brand name; (ii) receives constant technical assistance from the franchisor; (iii) gains access to economies of scale; (iv) maintains ownership of the business; (v) reduces installation and operating costs; (vi) benefits from accurate data; and (vii) concentrates on key sales outlet issues. The general benefits include: better prospects for extending the life of microenterprises and SMEs; the creation of marketing and industrialization networks, generation of value-added, better quality in product and service proposals; increased brand value and training.
- 7.2 **Beneficiaries.** The direct beneficiaries of the project are microenterprises and SMEs⁴ in the Dominican Republic, which, through the articulation of a solid, transparent, and modern franchise system, will be able to access this route to commercial expansion and obtain major support from the Chamber of Commerce network. Accordingly, the following are beneficiaries: (i) at least 50 franchisor firms and 50 franchisees that

⁴ For the purposes of the project, eligible medium-sized enterprises are those with less than 100 employees and annual sales of under US\$5 million, or assets below US\$3 million. At least 50% of the firms supported by the project are expected to be microenterprises and small businesses.

receive technical assistance to operate their franchise; (ii) potential franchisees who will receive objective, transparent and accurate information on the system and its participants, of which 200 will be self-diagnosed; (iii) 50 professionals who will be trained to provide consulting services on microenterprise and SME franchising systems; (iv) at least six arbitrators who will be trained to settle franchise disputes; (v) 3,000 people will receive information on the project's objectives; and (vi) other institutions, such as financial entities, universities, and trade associations, which can join the project and contribute to its demonstration effect and sustainability. Indirectly, both network providers and franchise consultants will see their market expand.

- 7.3 **Risks.** One of the potential risks is that the critical mass of potential participating firms may not have own or third-party resources available to finance the plans. This risk will be mitigated by the Chambers by attracting financial entities to the project. New financial products will be designed, reflecting the lower financial risk of the franchise; entities will participate through regional committees and will be kept informed and made aware of events designed for that group. The second risk is that the specialized consultants and those trained by the project may lack capacity to implement plans with appropriate levels of quality and professionalism. Special care will be taken to ensure the process is transparent and competitive, and a group of consultants will be trained to provide support and be in a position to assist firms that need to make improvements to become franchises. A third risk concerns the coordination of the project's various Chambers and strategic partners to maintain a unified vision and action. Various committees will be set up to provide Chambers and other strategic actors with forums to inform on and validate the project's activities.

VIII. SOCIAL AND ENVIRONMENTAL IMPACT

- 8.1 The project was rated "C" by ESR at its meeting of 22 January 2008, with no environmental or social implications.

ANNEX I
Logical Framework
DEVELOPMENT OF A FRANCHISE MODEL FOR THE BUSINESS SECTOR (DR-M1020)

Objectives	Indicators	Means of Verification	Assumptions
Goal			
To contribute to the sustainable development of SMEs in the Dominican Republic	<p>Four years after conclusion of the project:</p> <ul style="list-style-type: none"> 80% of the franchised firms with which the project worked survive more than three years after the start of operations. 20% growth of franchises in the Dominican Republic in relation to the indicator set in the project's replicability strategy. 	<ul style="list-style-type: none"> Chamber of Commerce records. Impact assessment (?) 	<ul style="list-style-type: none"> Macroeconomic conditions in the country remain stable.
Purpose			
To promote implementation of the franchise model to encourage expansion among local SMEs.	<p>By the end of the project:</p> <ul style="list-style-type: none"> At least 50 franchisor firms have set up operations supported by at least one franchisee. All firms participating in the project as franchisors are included in the new franchise register maintained by the participating Chambers. Franchisor firms report sales growth averaging 10%. Franchisor SMEs report a high degree of satisfaction with the project. 	<ul style="list-style-type: none"> Project baseline. Project monitoring system. Midterm and final evaluations, and satisfaction survey. Progress and final reports of the executing agency. Minutes of sustainability and closure workshops Chamber of Commerce commercial records. 	<ul style="list-style-type: none"> The economy remains stable. SMEs recognize the usefulness of the franchise system as a means of commercial expansion. Franchisor SMEs maintain interest in and commitment towards the project.

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Logical Framework
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Objectives	Indicators	Means of Verification	Assumptions
Components			
<p><u>Component 1: Analysis of laws and compilation of best franchising practices.</u></p> <p>The aim of this component is to compile laws relating to franchising, such as the laws on intellectual and industrial property, registration of trademarks, and best international practices, to set up a frame of reference for the organization of franchises, adapted and applicable to the Dominican context and allowing for future expansion and consolidation.</p>	<p>By the end of the first semester:</p> <ul style="list-style-type: none"> • Compendium of laws applicable to franchises available on the project portal. • Guide to good franchising practices adopted satisfactorily by franchisor firms and specialized consultants. <p>By the end of the project:</p> <ul style="list-style-type: none"> • Compendium of laws and guide to best practices implemented by the participating Chambers of Commerce, beneficiary SMEs, and consultants. 	<p><u>For all components:</u></p> <ul style="list-style-type: none"> • Progress reports and final executing agency report • Midterm and final evaluations • Chamber of Commerce commercial records • Records of attendance at the various dissemination, awareness-raising, and training events. • Record of franchise website hits. • Consultants' reports • Project baseline 	<p><u>For all components:</u></p> <ul style="list-style-type: none"> • Chambers of Commerce and strategic partners maintain consensus, vision, and unified action to provide project services and to set up a secure, transparent, predictable, and sustainable franchising system. • Dominican SMEs have own or third-party resources available to implement franchise structuring plans. • Suppliers and consultants trained by the project are capable of serving firms interested in implementing franchises with appropriate levels of quality and professionalism.
<p><u>Component 2: Dissemination and awareness-raising on the opportunities of the franchise model</u></p> <p><i>The purpose of this component is to raise public awareness of the advantages and benefits of the franchise model and to generate demand.</i></p>	<p>By the end of the first year:</p> <ul style="list-style-type: none"> • 10 awareness-raising/information seminars for 300 people (universities, professionals, trade associations, Chambers, financial institutions). • 250 potential franchisor firms made aware of the franchise model • Franchising portal operating <p>By the end of the project:</p> <ul style="list-style-type: none"> • 100 awareness-raising/information seminars for 3,000 people (from among universities, professionals, trade associations, Chambers, financial institutions). • 500 potential franchisor firms made aware of the franchise model • Franchising portal operating 	<ul style="list-style-type: none"> • Seminar evaluation forms • Written expressions of interest from potential participants 	

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Objectives	Indicators	Means of Verification	Assumptions
<p><u>Component 3:</u></p> <p><i>This component aims to train entrepreneurs and consultants on how to franchise a successful business and provide a group of SMEs with the technical assistance they need to implement franchise structuring plans and thus generate a demonstration effect among the business community.</i></p> <p>Subcomponent 3.1. Development of the supply of technical assistance and arbitration services</p> <p>Subcomponent 3.2. Technical assistance on franchise development for SMEs.</p>	<p>By the end of the project:</p> <ul style="list-style-type: none"> • At least 50 individual consultants trained in SME franchise advisory services. • At least six arbitrators and mediators trained on franchising in the main Chambers. • At least 50 franchisor enterprises set up operations supported by at least one franchisee. • Of those 50, at least five have the participation of a microentrepreneur, either as a microfranchisor or as a franchisee. 	<ul style="list-style-type: none"> • Program of courses • List of attendance at courses and evaluation forms for participants. • Franchise operating 	
<p><u>Component 4: System for monitoring, documentation and dissemination of results and lessons learned.</u></p> <p><i>The purpose of this component is to monitor and document the evolution of the project, the participating firms, and the franchise market in the</i></p>	<p>By the end of the first year:</p> <ul style="list-style-type: none"> • Project baseline and system for monitoring the evolution of the intervention duly implemented <p>By the end of the project:</p> <ul style="list-style-type: none"> • Project manual systemizing the experience. • International closing seminar. 	<ul style="list-style-type: none"> • Monitoring system reports <ul style="list-style-type: none"> • Manual • List of participants • Action plan 	

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Logical Framework
DEVELOPMENT OF A FRANCHISE MODEL FOR THE BUSINESS SECTOR (DR-M1020)

Objectives	Indicators	Means of Verification	Assumptions
<i>Dominican Republic, to ensure continuous evaluation making it possible to correct errors, exploit knowledge gained, and thus lay foundations for prolonging the model created through time.</i>	<ul style="list-style-type: none"> Replication strategy and action plan for project sustainability (by the end of the first quarter of the third year). 		

Activities	Main activity milestones		
<u>Component 1</u> 1.1 Compilation of existing laws relating to franchising 1.2 Review and validation of the guide to good franchising practices generally adopted by the market.	<ul style="list-style-type: none"> Compendium of laws by the end of the fourth month of execution. Revised and validated guide by the end of the fourth month. 	<ul style="list-style-type: none"> Consultants' report and minutes of the meeting to validate and accept the record. 	<u>For all activities:</u> <ul style="list-style-type: none"> Demand exists among SMEs and resources are available to hire technical assistance. Professionals show interest in being trained in the main areas of the franchising system. Interest by firms, consultants, financial entities, universities, and trade associations to undergo awareness-raising and subsequent linkage to the project. Suppliers accept the basic uniform framework for acting as franchise developers. Experts are available.
<u>Component 2</u> 2.1 Design and implementation of a promotional campaign and media plan.	<ul style="list-style-type: none"> Design of the project's corporate image recognized by the business community in month sixth. Design of the promotion campaign and media plan in month sixth. 10 awareness-raising seminars, two in Santo Domingo, two in Santiago, and one in each of the five Chambers with an 	<ul style="list-style-type: none"> Consultants' report on the promotional campaign and media plan. Graphic, digital, and audiovisual material designed. Record of attendance at events. 	

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2.2 Project awareness-raising/information seminars.	<p>average of 30 participants at each event, by the end of the first year for the public at large, before month 18.</p> <ul style="list-style-type: none"> • 10 awareness-raising seminars for 500 potential franchisor firms, before month 18. • Franchising portal designed, adjusted and online by the end of the first semester. 	<ul style="list-style-type: none"> • Online report on franchising website portal hits 	
2.3 Design and implementation of the franchising portal.			
<p><u>Component 3</u></p> <p>Subcomponent 3.1. Development of the supply of technical assistance and arbitration services</p> <p>3.1 Definition and implementation of legal, commercial, and process modules for consultants.</p> <p>3.2 Design and implementation of a course for arbitrators and mediators.</p> <p>Subcomponent 3.2. Technical assistance on franchise development for SMEs</p> <p>3.3 Franchise structuring plans and training for entrepreneurs.</p>	<ul style="list-style-type: none"> • Preparation of modules and materials to train consultants on franchising before month 12. • Preparation of modules and materials to train arbitrators before month 12. • At least three training courses for 50 consultants before month 18. • At least one course for franchise arbitrators and mediators before month 18. • Adaptation of self-diagnosis forms and instructions developed in the Colombia Franchises Project, for franchisors and potential franchisees by month 6. • 250 self-diagnoses completed by potential franchisor firms before month 24. • 200 self-diagnoses completed by 	<ul style="list-style-type: none"> • Didactic materials designed. • Records of course participants and evaluation of consultants • Didactic materials designed • Records of course participants and evaluation of consultants • Consultants' reports • Contracts with consultants • Progress and final reports from the executing agency and MIF for all activities • Forms adapted • Reports on hits, user time online, and help requests on the project website • Franchise development plans • Consultancy reports • Contracts 	

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	<p>potential franchisees before month 24.</p> <ul style="list-style-type: none"> • 50 franchise development plans implemented and cofinanced between month 26 and the end of the project. Of these, at least five include participation by a microentrepreneur, either as a microfranchisor or as a franchisee. 		
<p><u>Component 4</u></p> <p>4.1 Documentation and systemization of the project experience (lessons learned and best practices).</p> <p>4.2 Preparation of an action plan for the project's institutional, financial, and operational sustainability.</p> <p>4.3 International closing and results dissemination seminar.</p>	<ul style="list-style-type: none"> • Documentation systemized at the end of the project. • Sustainability plan implemented between months 24 and 36 of the final year of execution. • Seminar organized in the final month of project execution. 	<ul style="list-style-type: none"> • Consultants' reports and Chamber coordinator monitoring reports. • Manual of the experience published • Consultants' report and reports on CCYPS monitoring. • Seminar attendance record and report. 	

Annex II
DEVELOPMENT OF A FRANCHISE MODEL FOR THE BUSINESS SECTOR (DR-M1020)

CATEGORY	MIF (US\$)	Local contribution (US\$)	TOTAL (US\$)
Coordination Unit (total)	160,280	110,080	270,360
Staffing	137,400	39,200	176,600
<i>Project Coordination Unit</i>			
Coordinator	105,000		105,000
Accountant (part-time)		14,000	14,000
Administrative assistant	32,400		32,400
<i>Coordination of Chambers</i>			
6 Regional coordinators		25,200	25,200
Logistics	22,880	70,880	93,760
Office space for Project Coordination Unit		18,000	18,000
Office space for the 6 Chambers			4,000
Equipment	2,000	2,000	4,000
Communications and materials		8,400	8,400
Travel and per diem	10,440	10,440	20,880
Travel by Coordinator (2 per city x 2 nights x 3 years)	10,440		10,440
Travel by Chamber Coordinators (2 per year x 3 years)		10,440	10,440
Component 1: Legal analysis and compilation of best practices	12,500	0	12,500
1.1 Compilation of existing laws relating to franchising	10,000		10,000
1.2 Review and validation of the guide to good practices	2,500		2,500
Component 2: Dissemination and awareness-raising on the opportunities of the franchise model	4,600	38,600	43,200
2.1 Design and implementation of a promotional campaign and media plan	3,000	5,000	8,000
Consulting services for image design, promotion, and media plan	3,000		3,000
Preparation of communication and training documents		5,000	5,000
2.2 Awareness-raising seminars		30,000	30,000
20 Project awareness-raising and information seminars		30,000	30,000
2.3 Design and implementation of the franchising portal	1,600	3,600	5,200
Design of project website	1,000		1,000
Registration of domain name	600		600
Hosting (rental 50/month)		2,100	2,100
Adjustments to the website		1,500	1,500

Component 3: Training and technical assistance for franchise development	411,000	142,000	553,000
TOTAL	411,000	142,000	553,000
Subcomponent 3.1. Development of supply of services	11,000	40,000	51,000
Preparation of models and materials for training consultants			
International consulting firm to design the training module	6,000		6,000
Courses (3) for consultants (50).	30,000	30,000	30,000
Preparation of modules and materials to train arbitrators			
Consulting firm to design the training module	5,000		5,000
Courses (1) for arbitrators (20)		10,000	10,000
Subcomponent 3.2. Technical assistance for SMEs	400,000	102,000	502,000
Consultant to adapt self-diagnosis forms		2,000	2,000
Plans and consulting services to develop franchises	400,000	100,000	500,000
Component 4: System for monitoring, documentation, and dissemination of results and lessons learned	10,000	10,540	20,540
TOTAL	10,000	10,540	20,540
4.1 Document and systemize the project experience	10,000	5,400	15,400
Consultant to obtain information and produce document (3 months x 1,800)		5,400	5,400
Editing, design and printing of 1,000	10,000		10,000
4.2 Sustainability action plan		4,640	4,640
Workshop to prepare plan		4,640	4,640
4.3 International workshop for closure and results dissemination		500	500
Seminar for project closure and presentation of results		500	500
Total components	598,380	301,220	899,600
Contingencies 5%	29,919		29,919
Baseline, two evaluations and impact	47,992		47,992
Audit	10,000		10,000
TOTAL	US\$686,291	US\$301,220	US\$987,511
Coordination	15,000		
Impact evaluation account (0.5%)	US\$3,431		
GRAND TOTAL	US\$704,722	US\$301,220	US\$1,005,942