

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**COLOMBIA**  
**SOCIAL ENTREPRENEURSHIP PROGRAM**  
**EXECUTIVE SUMMARY**

**PROGRAM FOR PRODUCTION LINKAGE PROJECTS WITHIN A  
CONTEXT OF CORPORATE SOCIAL RESPONSIBILITY (PRO-CSR)**

**(CO-S1001)**

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## TABLE OF CONTENTS

|     |  |    |
|-----|--|----|
| I.  | PROJECT OVERVIEW.....  | 1  |
| A.  | Executing agency .....   | 1  |
| B.  | Amount and source .....  | 1  |
| C.  | Terms and conditions.....  | 1  |
| D.  | Statement of no objection .....  | 1  |
| E.  | The problem to be addressed .....  | 1  |
| II. | THE PROJECT.....   | 5  |
| A.  | Goal and purpose .....   | 5  |
| B.  | Description.....   | 5  |
| C.  | Incorporation of lessons learned .....                                     | 7  |
| D.  | Sustainability.....  | 8  |
| E.  | Expected outcomes and capture of benefits .....                            | 8  |
| F.  | Bank strategy .....  | 9  |
| G.  | Cooperation with other international cooperation agencies and donors ..... | 9  |
| H.  | Summary of the environmental and social review .....                       | 9  |
| I.  | Special conditions .....   | 9  |
| J.  | Disbursements, reports, evaluations, and procurement.....                  | 10 |
| K.  | Project risks and mitigants.....   | 11 |
| L.  | Exceptions to Bank policy .....  | 11 |

## **SDS/MSM TECHNICAL FILES**

|              |                                       |
|--------------|---------------------------------------|
| Document I   | Indicators                            |
| Document II  | Institutional analysis                |
| Document III | Analysis of demand                    |
| Document IV  | Plan of Operations                    |
| Document V   | Operating scheme for the linkages     |
| Document VI  | CESI detailed information             |
| Document VII | Special considerations in the profile |

## **ANNEXES**

|          |                   |
|----------|-------------------|
| Annex I  | Logical framework |
| Annex II | Budget            |

## **ABBREVIATIONS**

|      |  |
|------|--|
| CCRE | Centro Colombiano de Responsabilidad Empresarial [Colombian Center for Corporate Responsibility] |
| CESI | Committee on Environment and Social Impact   |
| CSR  | Corporate social responsibility  |
| MSME | Micro, small and medium-sized enterprise   |
| PEU  | Program executing unit   |
| PUJ  | Pontificia Universidad Javeriana   |
| SEP  | Social Entrepreneurship Program  |

## I. PROJECT OVERVIEW

### A. Executing agency

1.1 Pontificia Universidad Javeriana (PUJ)

### B. Amount and source

| Component  | IDB (US\$)         | PUJ (US\$)       | Total              |
|--|--------------------|------------------|--------------------|
| <b>1-Preselection and selection of initiatives</b>           | <b>\$50,000</b>    | <b>\$20,000</b>  | <b>\$70,000</b>    |
| Nonreimbursable technical cooperation                        | \$50,000           |                  |                    |
| <b>2-Development of initiatives and linkages</b>             | <b>\$680,000</b>   | <b>\$340,000</b> | <b>\$1,020,000</b> |
| Nonreimbursable financing                                    | \$200,000          |                  |                    |
| Nonreimbursable technical cooperation                        | \$480,000          |                  |                    |
| <b>3-Knowledge creation and dissemination</b>                | <b>\$120,000</b>   | <b>\$60,000</b>  | <b>\$180,000</b>   |
| Nonreimbursable technical cooperation                        | \$120,000          |                  |                    |
| <b>4-Administration, monitoring, evaluation and auditing</b> | <b>\$200,000</b>   | <b>\$80,000</b>  | <b>\$280,000</b>   |
| Nonreimbursable technical cooperation                        | \$200,000          |                  |                    |
| <b>TOTAL</b>   | <b>\$1,050,000</b> | <b>\$500,000</b> | <b>\$1,550,000</b> |
| <b>Total technical cooperation</b>                           | <b>\$850,000</b>   |                  |                    |
| <b>Total nonreimbursable financing</b>                       | <b>\$200,000</b>   |                  |                    |
| <b>Total IDB</b>   | <b>\$1,050,000</b> |                  |                    |

**Source:** Don Luigi Sturzo Trust Fund for Microenterprise Development

### C. Terms and conditions

1.2 **Periods:** The program will have an execution period of 36 months and a disbursement period of 42 months after the eligibility date.

1.3 **Disbursement currency:** U.S. dollars.

### D. Statement of no objection

1.4 The Colombian government's Agencia Presidencial para la Acción Social y la Cooperación Internacional [Presidential Agency for Social Action and International Cooperation] gave its no objection to Bank financing for the program in a memorandum dated 31 October 2006.

### E. The problem to be addressed

1.5 **Microenterprises.** In Colombia, microenterprises are defined as having fewer than 10 workers and total assets less than US\$85,000.<sup>1</sup> Data from the National Statistics Administration Department (DANE)<sup>2</sup> show that some 6.9 million individuals, or

<sup>1</sup> The equivalent of 500 times the minimum wage, under Law 590, also known as the MSME Law.

<sup>2</sup> Based on Ongoing Household Surveys.

- almost 40% of Colombia's 18 million economically active persons, own a microenterprise. Just over one million microenterprises have employees, while some 4.9 million are for self-employment. Sixty percent of Colombian microenterprises operate in Cundinamarca-Bogotá, Antioquia, Valle, and Atlántico.
- 1.6 **Informality.** In total, nearly 60% of the 18 million employed Colombians work in the informal sector. Some six million microenterprise owners have informal companies or workers, and some 3.6 million individuals are informally employed in microenterprises and small businesses; approximately one third of them are unpaid family members.
- 1.7 **Poverty and social vulnerability.** In Colombia, almost 22 million persons, or 49% of the population, live below the poverty line.<sup>3</sup> Over one third of the poor experience social exclusion that forces them to depend upon irregular, unstable income, without an established microenterprise activity or job. This includes over two million individuals displaced from rural areas, most of them female heads of household from rural and urban-fringe areas, street people, informal recyclers, ambulatory street vendors, rural laborers, employees of other microenterprises, and unemployed or underemployed individuals.
- 1.8 **The link between the vulnerable population and the private sector.** Several Colombian private organizations have been pioneers in developing projects to organize, train, and link poor and vulnerable groups with private companies that buy their products or engage their services in areas such as gardening, deliveries, housekeeping, preparing shipments for mailing, contract farming, manufacturing, and basic garment-making, e.g. Organización Corona and its Home Centers, Indupalma, Fundación Granahorrar, Fundación Compartir, Fundación Tecnovo, and others. The technical files outline initiatives of this kind—some are still being crafted, while others have already been initiated. These projects seek to connect poor, vulnerable populations with market opportunities through linkages with companies.
- 1.9 **Weaknesses in initiatives to develop linkages in the vulnerable population.** Although some projects have had individual successes, in most cases, the social organizations promoting them have worked in isolation, developing their own methodologies for business organization, training, monitoring, etc. A number of weaknesses have been identified in these initiatives, such as: (i) a focus on products and services that microenterprises can supply, rather than on the actual demand from companies; (ii) the need for greater emphasis on partnering to achieve the volumes and quality levels required by the market; (iii) a search for isolated markets, rather than incorporation into supply chains that create opportunities for more regular transactions; (iv) a focus on creating minimum-wage jobs rather than on generating regular income from a business activity; (v) the organizations have worked in separate geographic sectors and areas of activity without capturing or

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<sup>3</sup> Income of less than US\$330 per month for a family of four, while 15 percent, or 6.6 million, live below the indigence line, according to the DANE, with family income below US\$137 per month.

disseminating lessons learned, either among organizations working with vulnerable groups or between companies.

- 1.10 In recent years, however, this type of project has spurred the interest of private companies which, from a corporate social responsibility (CSR) perspective, recognize the need to bring private sector market opportunities to individuals suffering from social exclusion in Colombia.
- 1.11 **The private sector and linkages with the vulnerable population.** The Bank has met with interested private companies and with social organizations that work with the vulnerable population,<sup>4</sup> and has found evidence of demand for support for developing such projects, as well as the need to develop a mechanism for identifying coordinating organizations that work with the vulnerable population to assist them in effectively gaining access to specialized technical assistance in linkages, including work methodologies with associations and training for people in vulnerable groups.
- 1.12 A recent survey of 45 companies conducted by the Colombian Center for Corporate Responsibility (CCRE) revealed that over 80% of large companies are engaging in or plan to engage in social responsibility projects involving vulnerable populations. However, these companies face implementation obstacles because: (i) they find it difficult to make contact with and develop organizational and training methodologies for vulnerable populations, which may be located far from company headquarters; (ii) they do not know where to obtain effective technical assistance for developing linkages; (iii) they do not have performance and impact metrics, for example, performance indicators for determining the degree of success of their initiatives; and (iv) they do not wish to invest resources in developing initiatives whose outcomes are uncertain and which, because of their innovative nature, are perceived as high risk.
- 1.13 **The Social Entrepreneurship Program in Colombia.** Since 1990 the Bank, through the Social Entrepreneurship Program (SEP), has channeled roughly 12 million dollars to finance over 20 projects aimed at promoting social equity and economic development for poor, marginalized groups in Colombia. The projects have served over 50,000 microentrepreneurs, small farmers, and groups of disadvantaged populations such as women, indigenous persons, and the disabled. Five projects are currently in execution and three others ended in the last 12 months. The Bank has also received a large number of CSR-related ideas for productive integration projects with the vulnerable population that would be eligible for the SEP. An effective approach would therefore be to develop, under a single umbrella project, a number of initiatives of this type, as provided for in the SEP policies.

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<sup>4</sup> Fundación Avina, Opción Vida, Telefónica Móvil, CAFAM, Asocolflores, Colseguros, EPM Bogotá Telecomunicaciones, Fundación Granahorrar, Banco Caja Social, BCSC, Fundación Restrepo Barco, Hocol, El Cinco.

- 1.14 **Corporate social responsibility in Colombia.** Currently, CSR and its implementation in companies are emerging concepts in Colombia, with signs of a strong takeoff. In recent years, CSR promotion initiatives by various local institutions have proliferated and have been welcomed by large companies. Although this implies that companies are willing to listen to and to work with vulnerable groups, these same companies are identifying very specific needs when they engage in this type of activity: advising, financing, as well as the development of performance and impact indicators, dissemination and processing, and upscaling. See technical files.
- 1.15 **Executing agency.** The Bank identified potential executing agencies, which in May 2006 it invited to participate in a call for proposals to execute the project. A selection committee comprising Bank specialists at Headquarters and in the Country Office selected the joint proposal submitted by Pontificia Universidad Javeriana (PUJ) and the CCRE to execute the project. The PUJ will execute the project and be responsible for the program vis-à-vis the Bank, but will collaborate with the CCRE, an organization that promotes CSR in Colombia, through a private agreement between the two parties. Accordingly, the CCRE will not be able to receive program funds from the Bank. The agreement between the PUJ and the Bank will stipulate the percentages for counterpart contributions in cash and in kind from both the PUJ and the coordinating organizations and/or companies. The technical files provide more detailed information on the executing agency.
- 1.16 The PUJ has had positive experiences working directly with microenterprises, the vulnerable population, and associations of microentrepreneurs, as well as experience in executing technical assistance projects, including the following: (i) the Program for Development and Peace in the Magdalena Medio Region, with small farmers; (ii) the Microenterprise Support Project under the Padres Solidarios [Parents Working Together] program of Fundación Solidaridad por Colombia [Colombia Solidarity Foundation]; (iii) production projects by the Instituto Mayor Campesino in Buga; and (iv) programs to support productive initiatives with the Corporación Minuto de Dios's Social Solidarity Network, along with the Saldarriaga Concha Foundation and the Pensar Institute, among other entities, the objective of which is to promote microenterprise development among low-income populations.
- 1.17 Also, through youth entrepreneurship programs, the PUJ has gained experience in promoting productive projects, focused on developing business skills among low-income populations.
- 1.18 **Beneficiaries.** The project beneficiaries are estimated as being at least 420 individuals from productive groups living in conditions of poverty and vulnerability, located in rural or urban-fringe areas. These groups may submit their initiatives through coordinating organizations, i.e., nongovernmental organizations (NGOs), business foundations or companies directly, nonprofit associations, cooperatives, or any other legal entity representing groups with productive potential. The technical files contain information on possible beneficiary groups

and on eligibility and evaluation criteria for the coordinating organizations, and the initiatives in which they could participate to gain access to program funds.

## II. THE PROJECT

### A. Goal and purpose

- 2.1 The project's goal is to help improve the quality of life of the poor and vulnerable population, by creating economic opportunities for groups with productive capacity as well as production linkages with the market.
- 2.2 The purpose is to create an instrument that competitively selects and finances linkages between the vulnerable population and larger companies, within a context of corporate social responsibility.

### B. Description

- 2.3 The program proposes a mechanism for meeting the financing and nonreimbursable technical cooperation needs of production linkages between private companies and the vulnerable population (subprojects); this will include identifying and executing these subprojects and will reduce the transaction costs. The nonreimbursable nature of the financing is justified by the poverty and vulnerability of the beneficiaries, as well as the pilot nature of many of the initiatives. The program design includes a system to monitor the execution of each project, to ensure the adequate use and allocation of the Bank's investments and resources, as well as dissemination of the lessons learned.
- 2.4 **Program components.** The program is divided into four components: (i) preselection and selection of productive initiatives; (ii) development of initiatives and linkages; (iii) knowledge creation and dissemination; (iv) administration, monitoring, evaluation, and audits. The Plan of Operations describes in detail the components. For implementation, a program executing unit (PEU) will be established at the PUJ.<sup>5</sup>
- 2.5 Preselection and selection of productive initiatives (Total US\$70,000; IDB US\$50,000 – PUJ and others US\$20,000). The goal of this component is to promote the program among private companies and organizations working with vulnerable groups and to receive proposals for linkages with private companies that, in a context of CSR, have identified demand for products or services that can be met by vulnerable groups. To this end: (i) workshops and meetings will be held to promote the program with business and coordinating organization executives, as explained in the Plan of Operations; (ii) there will be a call for proposals in which a minimum of 30 proposals will be received and analyzed, with a target of 50 proposals; (iii) 10 will be preselected, following the eligibility criteria set forth in the technical files; one such criterion is for the private company with the demand for products or services to be committed to the project; (iv) assistance will be

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<sup>5</sup> The PEU organizational structure may be found in the PRO-CSR technical files.

provided for preparing business plans for the preselected linkages; and (v) a selection committee will evaluate 10 business plans and prepare a portfolio of at least six linkage subprojects for approval, based on the highest scores, to commence execution. The following criteria will be considered: (a) capacity to create opportunities to improve the quality of life of excluded groups and to contribute to local economic development and equal opportunities; (b) capacity for operational and financial sustainability; (c) innovation in applying technologies and methodologies; (d) partnerships and alliances with other actors; (e) greater productivity and competitiveness; and (f) CSR-related considerations: labor conditions and impact on the community with practices favorable to health, the environment, and social inclusion.

- 2.6 Development of initiatives and linkages (Total US\$1,020,000; IDB US\$680,000 – PUJ and others US\$340,000). The goal of this component is for groups of vulnerable individuals to organize business ventures and acquire technical, commercial, and customer-service skills to provide products or services to private companies; production linkages are to be implemented in at least six cases.
- 2.7 In each subproject, technical assistance will be engaged to implement the linkage's business plan. This will include: (i) defining procurement conditions: type of products and/or services, volume, quality, raw material specifications, cost and price structure, and all the features the initiatives must offer, in accordance with the specifications of larger companies, such as terms and conditions, packing and packaging, transport, and any purchasing and delivery terms; (ii) structuring procedures for linkages and business transactions with the company in question; (iii) selecting and training the participating vulnerable population on business organization, know-how, and skills for providing the product or service, business partnering models, etc.; (iv) executing technical and administrative services for linkages to meet the technical, financial-accounting, technological, logistical, legal, trade, and customer-service needs; (v) acquiring or leasing business equipment and infrastructure,<sup>6</sup> purchasing the work materials and other inputs needed to supply or strengthen the productive units; and (vi) training the beneficiary population in social and environmental issues, within the program's CSR context. All training and education workshops will be the responsibility of consultants engaged by the PEU and will be consistent with Bank procedures.
- 2.8 The maximum amount to be financed using IDB funds for proposals will be US\$105,000, which will finance up to 70% of the total amount of each subproject. Counterpart funds will be established in the agreement between the PEU and the coordinating organization or company, as appropriate, and may be contributed by the coordinating organization, the beneficiaries, and/or a partnering company or company in the linkage. It is estimated that at least six initiatives will be financed. The maximum execution period will be 24 months counting from the first

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<sup>6</sup> For example, in garment-work projects, sewing equipment or the use of infrastructure on third shifts may be financed.

disbursement of funds for each subproject. The program operating structure is set forth in the technical files.

- 2.9 Knowledge creation and dissemination (Total US\$180,000: IDB US\$120,000 – PUJ and others US\$60,000). The goal of this component is to disseminate and replicate the knowledge and experience gained executing the overall program and its subprojects. To this end, the following will be financed: (i) processing of the data generated; (ii) development and publication of case studies; and (iii) organization of dissemination events. The Plan of Operations outlines this component's activities in detail.
- 2.10 This component's outcomes will be: (i) the publication and dissemination of a document that compiles the experience of the program and initiatives, with electronic media supporting the information; (ii) the posting of relevant materials and documents on the program's Web page; (iii) the publication of case development electronically so that interested organizations, companies, or entities can replicate the process in other areas and geographic regions of the country; (iv) the holding of a national event to present the most important aspects of the initiatives, the knowledge created, and the positive impact on beneficiaries' quality of life; (v) a presence in the mass media outlets with the greatest coverage; and (vi) the organization of events for interested audiences, in which private companies help improve the quality of life of vulnerable populations.
- 2.11 Administration, monitoring, evaluation, and audits (Total US\$280,000: IDB US\$200,000 – PUJ and others US\$80,000). This component includes the executing agency's activities to monitor and evaluate execution of the program and subprojects, for sound implementation. It includes financing an execution team comprising a project executive director, a project coordinator, and an administrative assistant, as well as evaluations, audits, and monitoring reports.

### **C. Incorporation of lessons learned**

- 2.12 The program incorporates the following lessons learned from the Synergy project in El Salvador (SP/TC-0211022) and the Financing Facility for Productive Initiatives (HO-S1001): (i) the executing agency is able to elicit support from the private sector and has broad experience in business advising projects. It also has collaboration from the CCRE, whose board of directors includes large companies and organizations; (ii) the Executive Manager and subproject coordinator's remuneration will be based on results, with a fixed portion and a variable component, and both must have experience in Bank productive development projects; (iii) proposals will be considered from companies and/or coordinating organizations, which may be private development organizations, foundations, associations, cooperatives, campesino cooperative enterprises, private, for-profit companies with social objectives and/or that partner with social organizations, cooperative agroindustrial enterprises, and community or ethnic groups, provided they promote the economic advancement and wellbeing of poor and vulnerable groups; (iv) preselected initiatives will be supported in order to prepare specific

outputs such as business plans; and (v) the program provides both nonreimbursable financing and technical cooperation in order to suitably support subprojects' equipment investment needs.

#### **D. Sustainability**

- 2.13 **Mechanism.** The creation of a competitive fund, such as the one proposed, will serve to articulate, finance, execute, and disseminate lessons from linkages between the vulnerable population and private companies, creating a structure to allow for continued support for this type of initiative, under the institutional structure of the PUJ and the CCRE. To this end, upon program completion, the executing agency can turn to the same sources of financing and support institutions that were effective during execution, with a view to establishing a clearly identified network of support for the linkages of the vulnerable population's microenterprises. Some bilateral and multilateral donors might also contribute to continuation of the mechanism so that such linkages can be effectively executed in Colombia.
- 2.14 **Subprojects.** The sustainability of the subprojects is part of the eligibility and evaluation criteria, which include ensuring the financial viability of the initiatives, to guarantee that funds received will be used to contribute to the program's objective. Subprojects must demonstrate their ability to continue operating once the project's financial support ceases. Project support from coordinating organizations will ensure institutional backing for beneficiaries, which will also contribute to sustainability. Moreover, during program execution, workshops and events with beneficiaries will include defining strategies for subproject continuity and sustainability.

#### **E. Expected outcomes and capture of benefits**

- 2.15 To measure the capture of program benefits by the target population, which is defined as poor and vulnerable groups, the following indicators have been established, which are set forth in the technical files and will be measured at the end of program execution.

| <b>Table 1—Contractual indicators (Cumulative)</b> | <b>Year 1</b> | <b>Year 2</b> | <b>Year 3</b> |
|--|---------------|---------------|---------------|
| Number of proposals received                       | 30            | 30            | 30            |
| Number of preselected linkages                     | 10            | 10            | 10            |
| Number of linkages with signed agreement           | 4             | 5             | 6             |
| Number of beneficiaries of component 2 activities  |               |               | 420           |

- 2.16 The program will include appropriate performance indicators by subproject, according to the specific type of activity involved in the linkage. It will include the scope of the subproject in terms of beneficiaries and their characteristics, such as the number of beneficiaries and the increase in their income; the percentage of women and Afro-descendant and indigenous persons; etc. The aspects of the subproject that will be measured can be found in the technical files.

**F. Bank strategy**

- 2.17 The activities proposed in this program are consistent with the Colombia country strategy approved on 24 September 2003. This is particularly true with regard to reducing poverty, inequality, and social exclusion, since the program's goal is to help improve the quality of life of the poor and vulnerable, by creating economic opportunities for groups with productive capacity as well as linkages to the market. The strategy with Colombia (2003-2006) aims at promoting social progress and ensuring protection for the most vulnerable segments of society, as well as promoting competitiveness and natural resources management as pillars for economic and social revival.

**G. Cooperation with other international cooperation agencies and donors**

- 2.18 The scope of the program was shared with other potential donors with a view to laying the foundation for collaboration in both dissemination and cofinancing during execution. The project was presented to the Presidential Agency for Social Action and International Cooperation, which is responsible for coordinating the donor community.

**H. Summary of the environmental and social review**

- 2.19 The Committee on Environment and Social Impact reviewed the program profile on 23 June 2005 (meeting 25-05), and requested the following: (i) clarification of the strategy for implementing the Bank's environmental policy OP-703; (ii) exclusion from financing of projects that include activities on the list of environmentally harmful activities in the Guidelines for Environmental and Social Due Diligence for IDB Microenterprise Operations; and (iii) development of a strategy to ensure inclusion of the various categories of vulnerable groups.
- 2.20 Regarding the application of policy OP-703, those subprojects considered environmentally harmful under Colombian environmental law will not be eligible for the program, and similarly, all selected subprojects must identify potential adverse social and environmental impacts, as well as measures to mitigate impacts and a plan for applying them. With respect to the second recommendation, the list mentioned in the technical files is included so as to exclude environmentally harmful activities from financing. With respect to the third point, proposals will be encouraged that include methodologies to ensure equal opportunity and promote the participation of women and excluded groups, as reflected in the eligibility and evaluation criteria for coordinating organizations and in the initiatives in the Plan of Operations.

**I. Special conditions**

- 2.21 As a condition precedent to the first disbursement of the nonreimbursable technical cooperation component, the PUJ must, to the Bank's satisfaction: (i) have formed the PEU; and (ii) have its board of directors approve the detailed Plan of Operations; and (iii) have the final version of the model agreement signed by the coordinating organization (or companies, if they are acting as coordinators) and the

PEU, covering the parties' responsibilities. As a condition precedent to the first disbursement of the nonreimbursable financing component, the PEU must submit, to the Bank's satisfaction, the business plan and financing for each subproject approved during the call for proposals, listing the source of funds (IDB/PUJ and others) that will support the various initiatives.

**J. Disbursements, reports, evaluations, and procurement**

- 2.22 **Mechanism for disbursing Bank funds for the program:** The disbursement mechanism for Bank funds will be implemented in accordance with Bank policies. To have sufficient funds to make disbursements to approved projects, the *revolving fund* will not exceed 20% of the financing and technical cooperation funds, respectively. The Country Office in Colombia will make disbursements for project execution directly to the PUJ. The PUJ must first request those disbursements, and they will be made in U.S. dollars in accordance with each project's specific needs.
- 2.23 **Mechanism for disbursing program funds to each subproject:** Funds for PRO-CSR projects will be disbursed in accordance with a justified disbursements schedule based on the fulfillment of targets in the business plans.
- 2.24 **Reports.** During execution, the PUJ will submit semiannual progress reports to the Bank's Country Office 30 days after the end of each six-month period. They will include: (i) a description of progress made in the program execution plan and its indicators, as well as a list of principal achievements and difficulties encountered, and actions taken to overcome them; (ii) an update of the project execution plan for the following 12 months, including measures for overcoming the obstacles identified; (iii) a description of progress in the project's production linkages, in their various stages: presented, preselected, approved, and in execution; (iv) a list of environmental and social measures taken as described in paragraph 2.19; (v) the results and indicators of the subprojects with respect to the aspects defined in the technical files; and (vi) counterpart contribution percentages provided by the PUJ, coordinating organization and/or the company in each subproject. The second progress report must include the baseline values for approved subprojects. The last progress report will be the final report, and must summarize the gains made with respect to the original objectives and indicators.
- 2.25 **Evaluations:** A midterm and final evaluation will be carried out, charged against the Bank's contribution. The midterm program evaluation will take place 12 months after the launch of the call for proposals, or six months after implementation of the first subproject financed by the program. It will analyze the program execution mechanism as a whole, as well as a representative sample of subprojects in execution. The final evaluation will be conducted after the program has been executed, and will include aspects relating to the call for proposals, selection, execution, and monitoring of subprojects, program financial management, and the processing and dissemination of knowledge gained in each subproject.

- 2.26 Regarding subprojects in execution, the evaluation will consider the following aspects: (i) the relevance of the evaluation criteria used to select subprojects and the practical adaptation of projects to those criteria; (ii) the coordinating organizations' performance level in meeting targets and indicators and in activities carried out; and (iii) the extent to which the performance indicators in projects under execution are fulfilled.
- 2.27 **Procurement:** Bank-financed procurement of goods and services and selection and procurement of services will be in accordance with Bank procurement procedures. The program Executive Manager will be hired with a fixed base salary and a performance-based variable component.

**K. Project risks and mitigants**

- 2.28 The following program risks have been identified: (i) the PEU does not satisfactorily execute, administer, and monitor the program; (ii) the participation of large companies and coordinating organizations in the project will not materialize; (iii) there are no professionals experienced in linkages with poor and vulnerable populations.
- 2.29 To mitigate the first risk, the terms for hiring the project Executive Manager, who must be approved by the Bank, will include a compensation system with a fixed portion and a performance-based variable component. Instruments have also been created, such as the Plan of Operations, an internal program launch workshop, and flexible mechanisms for inquiries and monitoring by the PEU, to ensure the program is administered in accordance with Bank requirements. To mitigate the second risk, specific emphasis will be placed on informing companies and coordinating organizations of considerations with respect to adapting to the needs of the demand for products and services, in order for the existing interest to materialize. For the third, an intense program dissemination and promotion effort will be carried out, to attract trained professionals.

**L. Exceptions to Bank policy**

- 2.30 None.

**PROGRAM FOR PRODUCTION LINKAGE PROJECTS WITHIN A CONTEXT OF CORPORATE SOCIAL RESPONSIBILITY (CO-S1001)**  
**LOGICAL FRAMEWORK**

| <b>Narrative Summary</b>  | <b>Indicators</b>   | <b>Means of Verification</b>   | <b>Assumptions</b>  |
|---|---|--|---|
| <b>Goal</b>   |   |  |   |
| To help reduce poverty and improve the quality of life of the vulnerable population, by creating market opportunities and raising the income of productive grassroots organizations or microenterprises of vulnerable groups.   | Two years after project completion, the beneficiary population has higher income as a result of access to new markets.  | Baseline   | <p>The socioeconomic situation in Colombia remains stable.</p> <p>Trade liberalization provides greater benefits and economic opportunities for companies and the population in general.</p>  |
| <b>Purpose</b>  |   |  |   |
| The program was created to develop production linkages between microenterprises of vulnerable populations and larger companies through financing and technical assistance to promote the competitiveness, productivity, and sustainability of productive initiatives. | By the end of the project, at least six productive initiatives have been supported and strengthened for the development of stable linkages with larger established companies. 420 people from vulnerable populations have strengthened their technical and labor skills compared to what was observed prior to the beginning of the program, thus improving their possibilities of generating income. | <p>Framework agreements with companies</p> <p>Framework agreements with coordinating organizations</p> <p>Progress reports</p> <p>Case studies</p> | The country's economic, legislative, and social dynamic does not adversely affect integration of the production linkages between vulnerable populations and larger established companies, and they are sustainably integrated into the economic and social dynamic of the region and the country. |

| Narrative Summary   | Indicators  | Means of Verification   | Assumptions   |
|---|---|---|---|
| <b>Components</b>   |   |   |   |
| <b>1. Selection of productive initiatives – Phase I</b>   |   |   |   |
| Productive initiatives are selected through a call for proposals in accordance with the terms of reference defined by the program executing unit and the executive committee.   | <p>At least 10 productive initiatives of the vulnerable population have been preselected, which have been supported in preparation of their respective business plans.</p> <p>At a minimum, a framework agreement for each initiative to be supported has been defined and signed by the coordinating organizations, beneficiaries, and larger companies.</p> | <p>Initial report</p> <p>Progress report</p> <p>Business plans</p>  | <p>Companies are willing to establish production linkages with the vulnerable population, thus becoming involved in the project.</p> <p>The interest and commitment of larger companies in participating in the project is maintained through the continuity of linkages.</p>                     |
| <b>2. Development of initiatives and linkages</b>   |   |   |   |
| Productive initiatives of vulnerable groups are financially and technically strengthened, and linked to larger companies by promoting competitiveness, productivity, and better business management. Strategic alliances are developed with companies and other organizations, which strengthen the program through economic, operating, and/or technical resources that facilitate its implementation. | <p>420 people have been trained in the technical and environmental issues necessary to improve their productivity and market access, strengthening the development of productive initiatives.</p> <p>Linkage has been achieved with six larger companies that engage in recurring business transactions with the initiatives.</p>                             | <p>Progress report</p> <p>Report on training given</p> <p>Framework agreement with companies</p> <p>Framework agreement with coordinating organizations</p> <p>Case reports</p> | <p>There are counterpart funds to support the productive initiatives.</p> <p>Companies remain interested in and committed to cofinancing and developing the program.</p> <p>There are strategic partners that strengthen management of the initiatives and of the coordinating organizations.</p> |

| Narrative Summary   | Indicators  | Means of Verification   | Assumptions  |
|---|---|---|--|
| 3. Knowledge creation and dissemination   |   |   |  |
| The experience is evaluated and analyzed, and learning is documented, which permits the creation and transfer of knowledge for the productive and sustainable development of production linkages and the development of vulnerable population microenterprises and organizations. | Three cases have been documented, which have been published and disseminated widely.  | Progress report   | There are companies and organizations that generate information and other parties are interested in acquiring that knowledge and learning from the experience and replicating it, and/or giving it continuity. |
|   | At least five academic events have been held, aimed at various audiences.   | Final report<br>Reports on events held  |  |
|   | A CSR forum has been held, with the participation of stakeholders associated with the program.  | Case reports<br>Case studies  |  |
| 4. Administration, monitoring, evaluation, and audits   |   |   |  |
| Program administered, subprojects with monitoring, evaluations and audits completed   | Executive Manager and project coordinator hired during the first year<br><br>Technical/financial assistant hired during the first year<br><br>Midterm evaluation of the program conducted 12 months after the launch of the call for proposals, or 6 months after implementation of the first subproject<br><br>Audit conducted 120 days after the fiscal year-end beginning with the first year of disbursements | Progress report<br><br>Final report   |  |
| Activities  |   |   |  |
| 1.1 Dissemination of the project and linkages with companies  |   |   |  |
| Promotion of the project with large and medium-sized companies in the country that are interested in the development of CSR practices.  | At least three project information events have been held.   | Budget, accounts receivable, accounting records, and project progress reports |  |

| Narrative Summary   | Indicators   | Means of Verification                                 | Assumptions  |
|---|--|---|--|
| <b>1.2 Development of call for proposals</b>  |  |   |  |
| Call for proposals with coordinating organizations and the respective productive initiatives.   | The call for proposals has been launched within a period of six months from formation of the PEU.  | Report on call for proposals                          | There are coordinating organizations, beneficiaries, and companies interested in the presentation of business plans. |
| <b>1.3 Preselection, business plans, and selection</b>  |  |   |  |
| Analysis and evaluation of the coordinating organizations and productive initiatives with respect to the initial terms of reference, for purposes of preselection and subsequent selection. In parallel, development of support and assistance mechanisms for preparing business plans for productive initiatives, which will be a fundamental requirement for selection. | At least 10 initiatives (from a minimum of 50) have been preselected, and the preselected coordinating organizations and beneficiaries have been trained in preparing business plans during the first 12 months. At least 6 subprojects have been selected for support during the first 12 months. | Report on business plan selection. Training document. | Proposals have been presented by coordinating organizations working with the vulnerable population.                  |
| <b>1.4 Establishment of agreements</b>  |  |   |  |
| Development and signing of framework agreements between the productive initiatives, coordinating organizations, and larger companies.   | Six agreements have been formally executed between the coordinating organizations, beneficiaries, and larger companies by the end of the program.  | Agreement report                                      |  |
| <b>2.1 Determination of minimum conditions</b>  |  |   |  |
| Identification and determination of fundamental aspects related to the purchase and sale of products and services for the development of linkages.  | Aspects related to the purchase of inputs required for each linkage have been defined. Relevant disbursements have been made based on the needs of each plan and the items defined.  | Budgets, cash records, disbursements report           | Budget requirements have been met.   |

| Narrative Summary   | Indicators   | Means of Verification                             | Assumptions   |
|---|--|---|---|
| <b>2.2 Services for linkages</b>  |  |   |   |
| Identification of needs for technical support and the contracting of technical assistance services for the development of linkages. | The technical aspects of each linkage process have been developed. The parameters for selecting training personnel for development of each linkage have been defined.  | Report  | 600 people were trained in environmental and social issues in accordance with each business plan.   |
| <b>2.3 Acquisition of infrastructure and inputs</b>   |  |   |   |
|   | The needs of each initiative have been identified in the first 24 months.  | Budget, cash records, disbursements report        |   |
| <b>2.4 Basic training under the program</b>   |  |   |   |
|   | The most significant environmental and social aspects of each business plan have been identified.  | Environmental and social report on business plans |   |
| <b>3.1 Development of case studies</b>  |  |   |   |
| Analysis of the experience in each initiative from a CSR context, and drafting and publication of case studies.                     | The CSR experience in production linkages with the vulnerable population has been systematized Three success cases have been written by the end of the project.  | Progress report. Case studies.                    | Developments under the "Program to finance CSR initiatives through the SEP" have been systematized. |
| <b>3.2 Dissemination events</b>   |  |   |   |
| Event to launch the case studies and organization of workshops and courses for knowledge sharing.                                   | A seminar has been held to share the experience of CSR in production linkages with vulnerable populations within a CSR context. The case studies have been launched. Two courses and two knowledge-sharing workshops have been held for new initiatives by the end of the project. | Forum reports. Case reports.                      | The case studies were successfully completed.   |
| <b>3.3 Presence in the mass media</b>   |  |   |   |
| Design of the program's Web page, development of content, and mass dissemination activities through the website and other media.    | A "Program for production linkage projects within a context of CSR" (PRO-CSR) Web page has been created eight months into the project.   | Web page  |   |

| Narrative Summary   | Indicators   | Means of Verification          | Assumptions |
|---|--|--------------------------------|-------------|
| <b>4.1 Administration and monitoring</b>  |  |                                |             |
| Development of the program management and monitoring system, and definition of parameters for reporting and evaluating the management and impact of productive initiatives. | Program monitoring and management criteria have been consolidated during the first year. Parameters have been established for evaluating and managing the impact of productive initiatives financed during the first year. | Progress report. Final report. |             |
| <b>4.2 Evaluation and audits</b>  |  |                                |             |
| Completion of the midterm and final program evaluations and commissioning of the external audit.  | The audit and midterm reports have been completed 30 months into the project, and the final reports have been issued at the end of the project.  | Final audit report             |             |

| Annex II  |   |                  |                  |                |
|---|---|------------------|------------------|----------------|
| BUDGET – SUMMARY BY ACTIVITY  |   |                  |                  |                |
| (CO-S1001)  |   |                  |                  |                |
| PROGRAM FOR PRODUCTION LINKAGE PROJECTS WITHIN A CONTEXT OF CORPORATE SOCIAL RESPONSIBILITY (PRO-CSR) |   |                  |                  |                |
|   |   | Total Cost       | IDB              | LOCAL          |
| <b>Component 1</b>  | <b>PROMOTION AND SELECTION OF PRODUCTIVE INITIATIVES</b>                  | <b>70,000</b>    | <b>50,000</b>    | <b>20,000</b>  |
| Activity 1.1  | Dissemination of the project and linkages with companies                  | 28,948           | 20,848           | 8,100          |
| Activity 1.2  | Development of call for proposals   | 8,390            | 5,400            | 2,990          |
| Activity 1.3  | Preselection, business plans, and selection of coordinating organizations | 24,075           | 17,970           | 6,105          |
| Activity 1.4  | Signing of framework agreements   | 7,755            | 4,950            | 2,805          |
|   | Contingencies   | 832              | 833              | 0              |
| <b>Component 2</b>  | <b>DEVELOPMENT OF INITIATIVES AND LINKAGES</b>                            | <b>1,020,000</b> | <b>680,000</b>   | <b>340,000</b> |
| Activity 2.1  | Acquisition of infrastructure and inputs                                  | 200,000          | 200,000          | 0              |
| Activity 2.2  | Basic training under the program  | 70,720           | 42,283           | 28,438         |
| Activity 2.3  | Definition of conditions for production and trade                         | 260,083          | 152,880          | 107,203        |
| Activity 2.4  | Services for linkages   | 489,115          | 284,755          | 204,360        |
|   | Contingencies   | 83               | 83               | 0              |
| <b>Component 3</b>  | <b>KNOWLEDGE CREATION AND DISSEMINATION</b>                               | <b>180,000</b>   | <b>120,000</b>   | <b>60,000</b>  |
| Activity 3.1  | Development of case studies   | 93,053           | 59,573           | 33,480         |
| Activity 3.2  | Organization of dissemination events                                      | 75,117           | 49,377           | 25,740         |
| Activity 3.3  | Presence in the mass media  | 11,000           | 11,000           | 0              |
|   | Contingencies   | 830              | 50               | 780            |
| <b>Component 4</b>  | <b>ADMINISTRATION, MONITORING, AND EVALUATION</b>                         | <b>280,000</b>   | <b>200,000</b>   | <b>80,000</b>  |
| Activity 4.1  | Administration and monitoring   | 230,000          | 150,000          | 80,000         |
| Activity 4.2  | Evaluation and audits   | 50,000           | 50,000           | 0              |
| <b>NONREIMBURSABLE TECHNICAL COOPERATION</b>  |   | <b>1,350,000</b> | <b>850,000</b>   |                |
| <b>NONREIMBURSABLE FINANCING</b>  |   | <b>200,000</b>   | <b>200,000</b>   |                |
| <b>TOTAL PROGRAM</b>  |   | <b>1,550,000</b> | <b>1,050,000</b> | <b>500,000</b> |

**Annex II**  
**BUDGET – FINAL SUMMARY BY ITEM**

**PROJECT CO-S1001**

**SUPPORT PROGRAM FOR PRODUCTION LINKAGE PROJECTS WITHIN A CONTEXT OF CORPORATE SOCIAL RESPONSIBILITY**

|                      |  | <b>Total Cost</b> | <b>IDB</b>       | <b>LOCAL</b>   |
|----------------------|--|-------------------|------------------|----------------|
| Item 1               | <b>Advisory services (project and initiatives)</b>             | <b>248,143</b>    | 139,440          | 108,703        |
| Item 2               | <b>Training</b>  | <b>526,955</b>    | 294,157          | 232,798        |
| Item 3               | <b>Acquisition of infrastructure</b>                           | <b>200,000</b>    | 200,000          | 0              |
| Item 4               | <b>Dissemination events and activities (beginning and end)</b> | <b>61,925</b>     | 37,828           | 24,097         |
| Item 5               | <b>Communications</b>  | <b>7,683</b>      | 7,000            | 683            |
| Item 6               | <b>Advertising spots</b>                                       | <b>6,000</b>      | 5,500            | 500            |
| Item 7               | <b>Development of case studies</b>                             | <b>48,000</b>     | 24,000           | 24,000         |
| Item 8               | <b>Personnel costs / Fees</b>                                  | <b>273,720</b>    | 188,400          | 85,320         |
| Item 9               | <b>Travel</b>  | <b>86,310</b>     | 86,310           | 0              |
| Item 10              | <b>Administrative expenses</b>                                 | <b>33,691</b>     | 10,571           | 23,120         |
| Item 11              | <b>Refurbishing</b>  | <b>5,829</b>      | 5,829            | 0              |
| Item 12              | <b>Evaluation and audit of the program</b>                     | <b>50,000</b>     | 50,000           | 0              |
|                      | <b>Contingencies</b>   | <b>1,745</b>      | 966              | 780            |
| <b>PROGRAM TOTAL</b> |  | <b>1,550,000</b>  | <b>1,050,000</b> | <b>500,000</b> |

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-\_\_\_/06

Colombia. Nonreimbursable Financing SP/ID-\_\_\_-\_\_\_-CO and  
Nonreimbursable Technical Cooperation ATN/ID-\_\_\_\_-CO  
Program for Production Linkage Projects within a Context  
of Corporate Social Responsibility (PRO-CSR)

The Board of Executive Directors

RESOLVES:

1. That the President of the Inter-American Development Bank or such representative as he shall designate is authorized, in the name and on behalf of the Bank, in its capacity as Administrator of the Italian Trust Fund for Micro-Enterprise Development, to enter into such agreement or agreements as may be necessary with the Pontificia Universidad Javeriana, and to take such measures as may be pertinent to grant, within the Social Entrepreneurship Program, approved by Resolution DE-183/98: (a) nonreimbursable financing for the execution of the program referred to in document PR-\_\_\_\_; and (b) nonreimbursable technical cooperation in accordance with said document, for the execution of the program for production linkage projects within a context of corporate social responsibility (PRO-CSR).

2. That up to the amount of US\$200,000, or its equivalent in other convertible currencies, is authorized for the purposes indicated in paragraph 1(a), and up to the amount of US\$850,000, or its equivalent in other convertible currencies, is authorized for the purposes indicated in paragraph 1(b), both chargeable to the resources of the Italian Trust Fund for Micro-Enterprise Development.

LEGIII/CO-844840-06  
CO-S1001