

## **PROCEDURE SIMPLIFICATION PROGRAM FOR THE BUSINESS SECTOR**

**(TC-99-05-04-7)**

### **EXECUTIVE SUMMARY**

<b>Executing agency:</b>	Chamber of Commerce of Bogota
<b>Coexecuting agencies:</b>	Chambers of Commerce of Barranquilla, Bucaramanga, Cali, Cartagena, and Medellín
<b>Beneficiaries:</b>	Colombian business sector, particularly microenterprises and small and medium-sized businesses currently experiencing difficulties in the process of formalizing or starting up.
<b>Objectives:</b>	<p>The general objective of the project is to promote a more efficient and transparent relationship between enterprises, the government, and private entities that deliver services related to registration and formalization.</p> <p>The project seeks to achieve the following specific objectives: (i) to streamline legal requirements, steps, and formalities and reduce processing periods for entrepreneurs formalizing their productive activities; (ii) to set up business service centers [Centros de Atención Empresarial] (CAEs) in six Colombian cities (Bogota, Barranquilla, Bucaramanga, Cali, Cartagena, and Medellín); (iii) to expedite the process by which informal-sector enterprises are brought into the formal business sector; and (iv) to improve entrepreneurs' access to information on the procedures that need to be followed.</p>
<b>Description:</b>	<p>To fulfill its proposed objectives, the program provides for the following two components, the activities of which are to be carried out sequentially: (1) design of the CAE, including legal and institutional mapping, proposal for streamlining procedures, validation of proposals, initial simplification activities through management agreements, and design of action plans for implementation; and (2) implementation of the CAEs. The first component is to be carried out simultaneously in the six cities, while the second will be implemented in accordance with the scheduling that the city halls and chambers of commerce establish for each city. A third component would involve project administration.</p>

<b>Amount and source of financing:</b>	Modality:	Nonreimbursable
	MIF (Facility I):	US\$1,900,000 (61.3%)
	Local contribution:	US\$1,200,000 (38.7%)
	Total:	US\$3,100,000 (100%)
<b>Environmental and social review:</b>	This operation will not have significant environmental or social impacts and was approved by the Committee on Environment and Social Impact (CESI) at its 29 October 1999 meeting.	
<b>Execution timetable:</b>	The project will be executed over a period of up to 30 months and the funds will be disbursed over a period of up to 36 months.	
<b>Special contractual clauses:</b>	In addition to the general contractual conditions applicable to this operation, the following special clauses shall be included:	
	<b>Conditions precedent to the first disbursement:</b> Within three months of the signature of the agreement, the executing agency will present the following to the Bank: (i) evidence of interagency agreements between the city halls and the chambers of commerce included in the project, in which the responsibility of each entity is defined together with the commitment to participate jointly in the project's execution; (ii) evidence of interagency commitments between the Chamber of Commerce of Bogota and the chambers of commerce in the participating cities, setting out agreements for the transfer of MIF funds to each; and (iii) evidence that the director of the project's central executing unit has been selected and hired.	
<b>Exceptions to Bank policy:</b>	None	

## **I. COUNTRY AND PROJECT ELIGIBILITY**

- 1.1 Colombia was declared eligible for all modalities of MIF funding on 29 October 1993. This project was declared eligible by the Programming and Operations Committee of the MIF on 7 June 1999. The proposed activities promote an enabling environment for private-sector development, in particular for small and medium-sized companies to be established and gain formal status, thereby facilitating domestic and international investments in productive areas.

## **II. BACKGROUND**

- 2.1 Close to 50% of the enterprises currently operating in Colombia belong to the informal sector due, among other factors, to excessive regulations, procedures, and formalities that obstruct the new business formalization and registration process and make it more expensive. This situation limits business sector growth and consolidation and affects public finances.
- 2.2 Since the 1991 Constitution was established, the Government of Colombia has been working on eliminating red tape and modernizing the State. In this regard, a series of decrees have been issued<sup>1</sup>, that seek to simplify procedures and eliminate regulations, partially improving the process for starting up productive and commercial activities. In particular, Decree 2150 calls for the simplification of bureaucratic procedures and the implementation of one-stop windows for all user services.
- 2.3 Specifically, in the case of the business sector, under Decree 410/71, responsibility for business, bidder, and nonprofit organization registries as well as for arbitration and conciliation centers was delegated to the chambers of commerce. Since then, progress has been made in the simplification of procedures, through modernization and development of the infrastructure necessary to fulfill this function. In particular, the Chamber of Commerce of Bogota (CCB) has played a role in accelerating this process, as the chief promoter of simplifying regulations such as Law 527/99, which grants legal force to registration by electronic means.
- 2.4 The National Tax and Customs Division (DIAN), attached to the Ministry of Finance, has been working to simplify the tax system applicable to small and medium-sized enterprises. In 1998, it established a Unified Taxation System for value added tax and income tax payments. The Department of Government Administration (DAFP) prepared a flow chart of the principal procedures carried out within the various government agencies, resulting in a series of simplification proposals. The Ministry of Development pushed for adoption of Law 590/2000, which seeks to promote the development of microenterprises and small and

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<sup>1</sup> Decrees 2150/95 and 2111/97 and Laws 190 of 1995 and 527 of 1999, and Law 590 of 2000 and Decree 266/2000 derived therefrom.

medium-sized businesses and therefore provides for the creation of a single registry that will be generally valid for all procedures, formalities, and requirements vis-à-vis State entities, thereby reducing them and contributing to business formalization.

- 2.5 Even with all these simplification measures, there are still procedures that could be simplified or eliminated to make the business sector more efficient. In addition, the lack of coordination among the various public agencies has impeded the creation of a streamlined system for the startup of businesses or commercial activities.
- 2.6 The main problems facing entrepreneurs in registering their businesses and bringing them into the formal economy include: (i) lack of a one-stop window for completing all the formalities; (ii) the need to deal with numerous forms, often with duplication of information; (iii) insufficient coordination and sharing of information among public agencies; (iv) lack of modern information systems at most of these agencies; (v) the need to have documents notarized and presented in person; (vi) the need to pay various fees at different locations; and (vii) the lack of deadlines by which applications must be approved, left to the discretion of the individual official.
- 2.7 Currently an enterprise must complete over ten procedures or requirements before eight different entities<sup>2</sup>, in a process that can take up to a year. Regarding some of the current requirements, which will be subject to review, the following actions are under consideration: (i) eliminate the requirement that company accounting books be registered; (ii) eliminate the requirement that documents for commercial registration be notarized; (iii) consolidate national and municipal registrations into a single initial application form; (iv) create a single tax registration number; (v) revise social security, employment, and other labor registration; (vi) improve social security information; (vii) eliminate the need for approval from the Colombian Association of Authors and Composers (SAYCO-ACINPRO) for new businesses; (viii) allow all laboratory work/inspections for companies outside Bogota to be done at the regional level; (ix) classify industries on the basis of high or low environmental risk; (x) eliminate ex ante environmental approval for low-risk companies; (xi) reduce environmental review from eight to four months; (xii) set up a one-stop window managed by the private sector; (xiii) design a single form for tax registration and other operational permits; and (xiv) establish an interactive process with service quality control by the users.
- 2.8 Under this project, Business Service Centers (CAEs) will be established that will make it possible to simplify and consolidate the rules, procedures, and steps involved in business formalization and registration, thereby reducing processing times. Moreover, in the context of this project, the possibility of having the CAEs

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<sup>2</sup> Municipal Planning Administrative Department; Chamber of Commerce; National Customs and Taxation Division (DIAN); Municipal Tax Division; Municipal Health Secretariat; Firefighters Brigade; SAYCO-ACINPRO, and the Environmental Protection Department (municipal).

eventually provide additional services to businesses will be analyzed (see paragraph 3.8).

### **III. OBJECTIVES AND DESCRIPTION**

#### **A. Objectives**

- 3.1 The general objective of the project is to promote a more efficient and transparent relationship between enterprises, the government, and private entities that deliver services related to registration and formalization.
- 3.2 The project seeks to achieve the following specific objectives: (i) to streamline legal requirements, steps, and formalities and reduce processing periods for entrepreneurs formalizing their productive activities; (ii) to set up business service centers [Centros de Atención Empresarial] (CAEs) in six Colombian cities (Bogota, Barranquilla, Bucaramanga, Cali, Cartagena, and Medellín); (iii) to expedite the process by which informal-sector enterprises are brought into the formal business sector; and (iv) to improve entrepreneurs' access to information on the procedures that need to be followed.

#### **B. Description and components**

- 3.3 In order to meet the proposed objectives, the project provides for two components that will be carried out sequentially: (1) design of the CAE, including legal and institutional mapping, proposal for streamlining procedures, validation of proposals, initial simplification activities through management agreements, and design of action plans for implementation; (2) implementation of the CAEs. The first component will be carried out simultaneously in the six cities, while the second will be conducted in accordance with programming established by the city halls and chambers of commerce. A third component will cover project administration.

##### **1. Design of the CAE, identification of initial simplification activities, and action plan for implementation (US\$645,000)**

###### **a. Institutional and legal mapping**

- 3.4 Given the diversity of regulations in force both nationally and locally, institutional mapping will be necessary to identify current regulations in detail, in order to eliminate requirements considered obsolete and those based on interpretative provisions of the legislation that are applied by officials and institutions that participate in the process.
- 3.5 The following activities will be carried out under this component: (i) in public institutions with national jurisdiction, such as the DAFP, the Ministry of Economic Development, the Ministry of Environmental Affairs, and DIAN: an analysis of the

legislation that affects the establishment and registration of businesses; (ii) in the city halls: collection and analysis of rules related to business startup and operation and validation of their applicability; and (iii) in private entities<sup>3</sup>: an evaluation of regulations involved in the registration of new businesses.

- 3.6 The consulting services to support this activity will be considering information from various sources: (a) the mapping of administrative procedures and formalities in the various national government entities, done by the DAFP; (b) the mapping performed by city halls and chambers of commerce; and (c) the tax simplification proposals involving small and medium-sized enterprises formulated by DIAN.

**b. Streamlining procedures**

- 3.7 A detailed diagnostic assessment of the procedures and actions involved in business registration and startup required by each institution will be conducted, with an evaluation of the current framework of administrative procedures. In addition, a process redesign proposal will be formulated for purposes of streamlining such procedures and making them more transparent and expeditious.
- 3.8 The above effort will be coupled with an analysis of the future viability of diversifying the services rendered by the CAEs for the registration of new businesses to include others that would promote business development, such as: foreign trade arrangements, registration renewals, and technological information banks.

**c. Validation of proposals presented**

- 3.9 Consultants financed with Bank funds (SDS/MIC) did a case-study<sup>4</sup> of Bogota and gathered together a set of best practices on regulations and procedures for formalization of business activities on the basis of successful experiences at the international level. In particular, Mexico, Brazil, Canada, Spain, Ireland, and Australia have developed proposals with significant impact on the time and cost involved for businesses. Under this activity, these lessons will be validated and adapted to the Colombian case.

**d. Initial simplification activities: management agreements**

- 3.10 Based on the above information (rules, procedures, and validation), the city halls and local chambers of commerce will, in the context of the Consultative Board, identify a basic model that will be adapted to the conditions of each city (see

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<sup>3</sup> Chambers of commerce and SAYCO-ACINPRO

<sup>4</sup> International Practices and Experience in Business Start-up Procedures, SRI International, September 1999.

paragraph 4.2). Once the model has been adapted for each city, agreements will be concluded between central government authorities (Ministry of Development, DAFP, and DIAN), the municipalities, and the chambers of commerce, setting out the commitments and responsibilities of each party in the implementation of the CAE. These agreements should consider: (i) the issuing of administrative streamlining guidelines; (ii) the model selected for delivering services (e.g. one-stop, one site with different windows, a single application for all procedures but with various forms, or other); (iii) each institution's requirements for incorporating its services into the CAE; and (iv) the possible subsequent expansion to incorporate other services for entrepreneurs, in addition to those related to business registration.

#### **e. Action plan**

- 3.11 Lastly, as a result of the aforementioned activities, the consultants will prepare a proposed consensus-based action plan for execution of the signed agreement that provides for: (i) formulation of proposed amendments to the current legal framework in the central government and participating municipalities; (ii) reorganization of the entities involved; (iii) restructuring of selected procedures for more efficient processing; (iv) information technology systems to be developed or integrated and design of Web pages for dissemination of available information; (v) training needs related to new systems and procedures; (vi) design of a fee policy for the new processing system; (vii) physical infrastructure needs and architectural design according to the option selected for providing services to entrepreneurs; and (viii) sharing of experiences and proposals from each of the participating cities.
- 3.12 For this last activity, two combination workshops will be conducted, one in Bogota and one in one of the other five cities, to homogenize the proposals and seek synergies among the models to be adopted by the various cities. Representatives from the city halls, chambers of commerce, central and local executing units, and respective central government authorities will participate in the workshops.

#### **2. Implementation of the CAEs (US\$1,451,100)**

- 3.13 The setup of the Business Service Centers (CAEs) will be financed in each city based on the action plans defined under the previous component. This component will be implemented separately in each city.
- 3.14 For execution of the agreed action plans for CAE implementation, consulting services and procurement will be financed to cover: (i) selection and remodeling of physical space for the CAE; (ii) information systems and equipment improvements and procurement of software and hardware, based on the new procedures designed; purchase and installation of furniture and office equipment, based on the chosen layout; (iii) training for staff in the new administrative procedures and in the use of information systems; (iv) implementation of private administration systems for each CAE and of systems to evaluate the quality of services offered; and (v) campaigns

to disseminate and promote the merits of the new system among the entrepreneurs and the personnel in charge of procedures.

### **3. Program administration (US\$689,700)**

- 3.15 General administration of the program will be handled from the Chamber of Commerce of Bogota (CCB), where a central executing unit (CEU) will be set up, which will be responsible for project execution in Bogota and for expediting arrangements in the other cities. A local executing unit (LEU) will be set up in each city, which will be in charge of setting up and monitoring the local CAE.

## **IV. PROJECT EXECUTION**

### **A. Executing agency**

- 4.1 The CCB will be responsible to the Bank for project execution. It will set up a central executing unit (CEU) and will act as liaison with, and provide support for, the local executing units (LEUs) in Barranquilla, Bucaramanga, Cali, Cartagena, and Medellín. In each city, the executing agency will be the respective chamber of commerce, which will have autonomy and authority for setting up the LEU and managing the resources.
- 4.2 A Consultative Board will be formed, comprised of representatives from the Ministry of Economic Development, the DAFP, DIAN, and the city halls and chambers of commerce of the six cities. This Board will evaluate and approve the main proposals for regulatory and procedural changes related to simplifying the business registration process.
- 4.3 The mission of the chambers of commerce is to promote economic and social development and create services deemed useful to the advancement of business, industry, services, and the other productive sectors, in addition to handling the business, bidder, and nonprofit organization registries and the arbitration and conciliation centers. They also serve as a consultative body for the national government. The chambers have a sound technical and administrative structure and have committed themselves technically and financially to executing this project.
- 4.4 All the city halls have been working on streamlining procedures and improving services to users and have formally committed themselves to supporting project execution.
- 4.5 The central government authorities have participated jointly and severally in an accelerated process of administrative simplification, reflected primarily in the approval of new guidelines and in their commitment to participating actively in the Consultative Board and to making staff available to support the smooth conduct of the project.



**B. Execution mechanism**

- 4.6 The activities to be carried out under the first component will be executed within a period of up to 14 months, simultaneously in the different cities, thus allowing them to share experiences that could lead to a basic model for the entire country. The implementation of the CAEs will be carried out pursuant to the particular conditions of each city (build premises, remodel existing ones, lease, etc.) over the following 16 months. The total execution period will be 30 months, with disbursement over 36 months.
- 4.7 In view of the economic and operational advantages of hiring a single consulting firm to carry out the activities under the first component, it is recommended that the city halls and chambers of commerce agree on the terms of reference and selection of the most suitable firm. The CEU will be responsible for formulating initial proposed terms of reference for review and approval by the other chambers of commerce and the city halls. For the second component, each city will autonomously select a consulting firm, although the cities will be free to reach agreements with each other and, for purposes of economies of scale, select and hire a firm jointly, or they may decide to use the firm responsible for the first component.
- 4.8 The staff of the CEU will be comprised of a project director, who will be responsible for execution and for promoting the project to the various stakeholders, three technical staff, and one support staff. The staff will (i) monitor and evaluate the activities carried out, to ensure compliance with established agreements; (ii) draft the terms of reference for consultants and the bid documents and contracts for the firms or people selected; (iii) monitor the progress of the projects in the other cities and receive/provide feedback on each one's experiences and proposals; (iv) transfer funds from the contribution to each of the LEUs and require them to render accounts; and (v) coordinate with the LEUs as to the information required for purposes of preparing the program's consolidated financial statements according to the Bank's methodology.
- 4.9 The LEUs will have a coordinator, two technical staff, and one support staff for monitoring, evaluation, contracts, and accounting. The director and technical staff of the CEU and LEUs will be selected by means of an open call for proposals, the conditions for which will be agreed upon by the Bank/MIF and the CCB.
- 4.10 The CEU will be responsible for processing requests for disbursements from the IDB/MIF contribution according to the Bank's disbursement procedures, for arranging for contribution of the local counterpart resources relating to the city of Bogota, and for preparing the respective reports on resources used in the course of program execution.

- 4.11 Each LEU will be responsible for: (i) obtaining the local counterpart resources; (ii) opening separate specific bank accounts for managing the MIF and local counterpart resources; (iii) rendering accounts to the CEU on a regular basis; (iv) establishing and maintaining a suitable filing system for all supporting documentation related to eligible program expenditures. Such documentation must be available for review by Bank staff and by the program's external auditors.
- 4.12 Each city will carry out its action plan independently. If any city should fail to meet the local counterpart requirements agreed upon in the budget, the MIF contribution assigned to that city will be cancelled. Uncommitted funds will not be distributed to the other cities.
- 4.13 Program records will be maintained in such a way as to: (i) make it possible to identify the amounts received from the various sources; (ii) pursuant to the Bank-approved chart of accounts, record program expenditures from contribution resources as well as from other funds needed to fully execute the program; (iii) include enough details to identify the goods acquired and services contracted, as well as the use of such goods and services; and (iv) show the cost of the activities in each component.
- 4.14 After the conditions precedent to the first disbursement have been fulfilled, the Bank may advance resources from the MIF contribution to establish a revolving fund in an amount of up to 10% of the contribution. These resources will be placed in a special bank account in the name of the program. Within 60 days of the end of each calendar six-month period, the CEU will submit consolidated reports on the current status of the revolving fund resources in its possession and in the hands of each LEU.
- 4.15 During program execution, the CEU will submit annual financial statements and a final financial statement that consolidates the information on expenditures of the CEU and each LEU, covering the contribution as well as the local counterpart. Such statements will have been audited by a firm of independent auditors acceptable to the Bank and will be presented according to the Bank's auditing requirements, within 90 days of the end of each year of program execution.

**C. Procurement**

- 4.16 If the CEU and LEUs hire a single consulting firm to carry out the activities under the first component, this will be done through international competitive bidding pursuant to the Bank's procedures.
- 4.17 All procurement will be done in accordance with Bank procedures. Only MIF member countries may participate in the process.

**D. Status for project startup**

- 4.18 The central government authorities and participating chambers of commerce and city halls have already sent their letters of commitment in connection with the program. The chambers of commerce have a management team capable of drawing up the documents and conditions for the calls for proposals needed to staff the executing units and follow up on their performance. They have the facilities and equipment needed to get the program under way.

**E. Beneficiaries**

- 4.19 The program will directly benefit entrepreneurs wishing to start up industrial, commercial, or service activities and will promote the formalization of businesses operating in the informal sector.
- 4.20 The State will also benefit from an increase in the number of taxpayers, particularly those falling under the Unified Taxation System.

**F. Project sustainability**

- 4.21 The fees charged by the CAEs for services rendered will provide sustainability. Eventually, the CAEs will be able to expand the range of services they offer. The project rests on the capacities to be developed by the staff that will be trained in the new systems and procedures.
- 4.22 Precise fee levels will be identified once the CAE model selected, the number of entities to be involved in the business startup process, the remaining procedures, etc., are defined. Nevertheless, as a basis for determining the project's financial success, the current experience of chambers of commerce and city halls in providing services to businesses on a sustainable basis and the existence of a working infrastructure were taken into account. The project anticipates that simplification will have a very positive impact on the decision to register a business, which should translate into an increased volume of registrations and therefore resources from that source.

## **V. COST AND FINANCING**

**A. Cost**

- 5.1 The estimated cost of the project is US\$3.1 million, of which US\$1.9 million (61.3%) will be provided on a nonreimbursable basis by the MIF, and US\$1.2 million (38.7%) as local counterpart by the chambers of commerce and city halls of the beneficiary cities. A summary of the program's main cost categories and financing sources appears below. A detailed budget appears in Annex II.

**Budget**  
(in thousands of US dollars)

<b>CATEGORY</b>	<b>MIF</b>	<b>LOCAL</b>	<b>TOTAL</b>
<b>1. CAE design and action plan</b>	<b>543</b>	<b>102</b>	<b>645</b>
1.1 Consulting services	492	93	585
1.2 Validation workshop	51	9	60
<b>2. CAE implementation</b>	<b>611</b>	<b>840</b>	<b>1,451</b>
2.1 Office refurbishing	0	560	560
2.2 Network and system installation	233	147	370
2.3 CAE administration	133	68	201
2.4 Staff training and awareness	154	26	180
2.5 Promotion and dissemination	101	39	140
<b>3. Administration</b>	<b>432</b>	<b>258</b>	<b>690</b>
3.1 Salaries	407	241	648
3.2 Executing units, equipment	25	17	42
<b>4. Evaluation</b>	<b>94</b>	<b>0</b>	<b>94</b>
<b>5. Auditing</b>	<b>40</b>	<b>0</b>	<b>40</b>
<b>6. Contingencies</b>	<b>180</b>	<b>0</b>	<b>180</b>
<b>Total</b>	<b>1,900</b>	<b>1,200</b>	<b>3,100</b>

**Budget by year and source**  
(in thousands of US\$ dollars)

<b>Year/source</b>	<b>MIF</b>	<b>Bogota</b>	<b>Other cities</b>	<b>Total</b>
Year I	803 (417 Bogota; 386 other cities)	150	241 (48 each)	1.194
Year II	810 (315 Bogota 495 other cities)	200	327 (65 each)	1.337
Year III	287 (66 Bogota; 221 other cities)	150	132 (26 each)	569
<b>Total</b>	<b>1,900</b>	<b>500</b>	<b>700 (140 each)</b>	<b>3,100</b>

**B. Financing**

- 5.2 The MIF contribution will be divided as follows: up to US\$798,000 for Bogota and up to US\$220,000 for each of the five participating cities. The local counterpart contribution will be US\$500,000 in Bogota, while the other cities will contribute US\$140,000 each, at least 50% of which will be in cash.

- 5.3 The MIF contribution will be used to cofinance consulting services, equipment procurement and installation, training, program promotion and administration, and the entire cost of the external audit and evaluations. Local resources will primarily be applied to setting up the CAEs, purchasing equipment, and covering a portion of program administration.
- 5.4 Administration costs exceed 20% because the project will require coordinating the work of various institutions in six cities. Such coordination is essential to achieve the objective of simplification, which will be done through agreements among the agencies involved in the registration and formalization procedures.
- 5.5 The MIF contribution will be made at an equal rate as that of the contributions from the participating cities. Each city will have an independent budget to implement its action plan.

## **VI. JUSTIFICATION AND RISKS**

### **A. Justification**

- 6.1 Under the project, the procedures that businesses in all economic sectors in the participating cities must follow for formalization and startup will be streamlined. Government spending will become more efficient and business productivity will improve by eliminating and simplifying procedures (steps, costs, and time) required for registration and formalization.
- 6.2 The State's interest in participating in the streamlining process is reflected in agencies such as DIAN, the Ministry of Economic Development, the DAFP, and the city halls themselves, which have been carrying out activities within their institutions. The results have been limited by the lack of a common vision to confront the problem.
- 6.3 Establishing a participatory process for program execution will make it easier to replicate the methodology for other types of services that may be extended to entrepreneurs by the CAEs. Once the possibility of coordinating various institutions has been tested, the course will have been set for continuing with the initiatives that will facilitate the relationship of citizens—and entrepreneurs in particular—with the public or private agencies that provide services to them.
- 6.4 The creation of new job positions, the adjustment of contractual relations, and the possibilities of gaining access to loans and formal markets for products will constitute a step forward in the economic process and will open up new opportunities for anyone wanting to establish or formalize a business.

## **B. Risks**

- 6.5 The project assumes close coordination at various levels: (i) among the national government, the local governments, and the private sector, to reach consensus on the principal proposals for procedure simplification; (ii) between the CEU and the LEUs to monitor and ensure simultaneous execution of specific activities. In this regard, the chambers and city halls have had broad experience with joint projects and have held a series of meetings to agree on the terms for their participation in this one. The main objective of the proposed Consultative Board, which will also have representatives from the national government authorities, is to seek consensus on the proposals for changing policies and rules. The project makes available the resources necessary to effectively coordinate the efforts of the various institutions involved and designates the institution with the most drawing power and capacity for execution—the Chamber of Commerce of Bogota—to be responsible to the Bank for project execution. Lastly, the CEU will assign staff to work exclusively on LEU support and coordination.
- 6.6 Another risk is the possible lack of commitment on the part of staff involved, since they could feel affected by the simplification proposals and may create obstacles to their implementation. However, the workshops and training programs will make it possible to evaluate the work of these employees and adequately prepare them to carry out their new functions.
- 6.7 Difficulties might arise in connection with the requirement for interagency agreements, which must involve different levels of government and a significant number of institutions. Nevertheless, the active participation of such institutions in the formulation of various administrative simplification proposals and the interest they have demonstrated in supporting this project suggest that these difficulties will be minimal. In addition, the chambers of commerce, which are the executing agencies responsible for this project, have earned an important position in Colombia in terms of delivering services to the business sector that have been delegated to them by public-sector agencies. For instance, the chambers of commerce are responsible for administration of business registries.

## **VII. ENVIRONMENTAL IMPACT**

- 7.1 This operation does not involve significant social or environmental impact and was approved by the Committee on Environment and Social Impact (CESI) on 29 October 1999. The CESI recommended that the consultants reviewing the classification of enterprises according to high and low environmental risk, ensure that Colombian legislation is observed and justify the proposed criteria for such classification.

## VIII. MONITORING AND EVALUATION

- 8.1 The executing units must present progress reports to the Bank twice a year, setting forth the results achieved under the various activities and their contribution to fulfilling project objectives.
- 8.2 **Interim evaluation.** An interim evaluation of the results achieved will be conducted when at least 50% of the MIF resources have been disbursed or when 50% of the execution period (30 months) have passed. The evaluation will pay special attention to the following performance indicators: (i) legal modifications proposed in each city; (ii) procedures to be simplified and steps and time saved thanks to the proposed procedural changes; and (iii) management agreements signed.
- 8.3 **Final evaluation.** At the end of the project, an evaluation will be conducted that assesses the impact of the project on all the participating cities, based on the logical framework indicators.
- 8.4 The Bank will contract out the evaluations, which will be paid for with MIF resources. The Bank, through the Country Office in Colombia, will systematically monitor the project during execution in order to observe and facilitate its progress.
- 8.5 The executing agency will send progress reports to the Bank's Country Office within 30 days after the end of each six-month period and will submit a final report within 30 days after the last disbursement. These reports will follow a format previously agreed upon with the Country Office and will include project activities, finances, and results. The Country Office will use these reports to monitor progress and to prepare a performance report within three months of the last disbursement.

## IX. CONDITIONS PRECEDENT AND CONTRACTUAL CLAUSES

- 9.1 **Conditions precedent to the first disbursement:** Within three months of the signature of the agreement, the executing agency will present the following to the Bank: (i) evidence of interagency agreements between the city halls and the chambers of commerce included in the project, in which the responsibility of each entity is defined together with the commitment to participate jointly in the project's execution; (ii) evidence of interagency commitments between the Chamber of Commerce of Bogota and the chambers of commerce in the participating cities, setting out agreements for the transfer of MIF funds to each; and (iii) evidence that the director of the project's CEU has been selected and hired.

## LOGICAL FRAMEWORK

### PROCEDURE SIMPLIFICATION PROGRAM FOR THE BUSINESS SECTOR

Objectives	Indicators	Means of Verification	Assumptions
<p>legal requirements, steps, and reduce processing by entrepreneurs their productive activities.</p>	<ul style="list-style-type: none"> <li>- The six pilot business service centers (CAEs) set up and operating in Bogota, Cali, Bucaramanga, Barranquilla, Cartagena, and Medellin within a period of 30 months</li> <li>- Administrative procedures simplified, manuals prepared, and in operation.</li> <li>- Number of businesses registered in each city increases gradually beginning in year 2 of execution.</li> </ul>	<ul style="list-style-type: none"> <li>- Interim and final evaluation reports</li> <li>- Final project report</li> <li>- Number of clients served by the CAEs monthly</li> <li>- Decrease in the amount of time needed to set up a company</li> <li>- Number of procedures reduced</li> <li>- User satisfaction survey</li> </ul>	<ul style="list-style-type: none"> <li>- Leadership of the Chamber Commerce of Bogota and of executing agencies</li> <li>- Sound coordination, integral acceptance by the agencies that currently provide service red tape and streamline the required to formalize a business</li> </ul>
<p>local business development low government/business that is more oriented, transparent, simple,</p>	<ul style="list-style-type: none"> <li>- Intersectoral coordination between central and local government agencies that entrepreneurs must visit to complete the formalities involved in registering a business.</li> <li>- Information systems in operation that contribute to reducing the amount of time involved in the procedures for entrepreneurs and Web page set up for information dissemination.</li> <li>- Administrative procedures streamlined, manuals prepared, and in operation.</li> <li>- Gradual increase in the number of businesses registered in each city.</li> </ul>	<ul style="list-style-type: none"> <li>- Number of agencies performing procedures and providing services to the business sector installed in each CAE</li> <li>- Number of procedures and services available to the business sector in each CAE</li> <li>- Number of hits on the Web page</li> <li>- Evaluation reports</li> <li>- Number of businesses registered monthly in each city</li> </ul>	<ul style="list-style-type: none"> <li>- Agreement between central government agencies to eliminate simplify legal provisions at and municipal levels to make for businesses to fulfill requirements</li> <li>- Selection and availability of good locations that are the most have suitable characteristics: the CAEs in each city</li> <li>- Suitable training for staff to quality, effective services</li> </ul>



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<p>of the current system</p> <p>d. Design of the CAE and n to simplify and integrate and procedures.</p> <p>Service Centers set up and on, with reduced procedures essing times</p> <p>ent system, evaluation, and of pilot experiences under</p>	<ol style="list-style-type: none"><li>1. Streamlined procedures manuals printed, confirmed, and disseminated</li><li>2. Interagency agreements that define procedure reduction based on a basic model</li><li>3. Six CAEs in place and operating, with the number of new businesses opening through the centers close to the current number of business registrations</li><li>4. Operation coordinated by the project's central executing unit in Bogota and the local executing units in the five cities</li></ol>	<ul style="list-style-type: none"><li>- Interim and final evaluation reports</li><li>- Statistics on services rendered at the CAEs</li><li>- Minutes of the Consultative Board</li><li>- Agreements between the municipalities and city halls for setting up the CAEs.</li></ul>	<ul style="list-style-type: none"><li>- New central government agreements and municipal arrangements and municipalities maintain their interest in providing service to business sector</li><li>- Staff in the aforementioned trained and cooperate in the simplification process</li></ul>				
<p><b>Joint action plan:</b> institutional mapping, streamlining of validation of proposals, design of new design for access to telecommunications and systems, organizational architectural design, financial needs, consensus-based management agreements</p>	<p>Execution, total budget (US\$000)</p> <table><tr><td>1.1 Consulting services</td><td>646</td></tr><tr><td>1.2 Validation workshop</td><td>60</td></tr></table>	1.1 Consulting services	646	1.2 Validation workshop	60	<ul style="list-style-type: none"><li>- Action plan design report</li><li>- Consultants' reports on procedures to be streamlined</li><li>- Management agreements signed by participating entities</li><li>- Chart of accounts</li><li>- Disbursements</li><li>- Audited financial statements</li><li>- Twice-yearly progress reports</li><li>- Evaluation reports (interim and final)</li></ul>	<ul style="list-style-type: none"><li>- The city halls and chambers of commerce contribute the local counterpart funds committed to the project</li><li>- The chambers of commerce and city halls participate actively in the joint action plan</li><li>- The central government agencies, city halls, and chambers of commerce supply human resources to the simplification process and carry out required reforms</li></ul>
1.1 Consulting services	646						
1.2 Validation workshop	60						

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<b>Implementation of CAEs:</b> Office equipment, streamlining guidelines, furniture and equipment installed, agencies reorganized, reorganization procedures, integration of technology systems, Web management, fee policy, infrastructure, and evaluation systems, dissemination.	Total execution budget: (US\$000) 2.1 Office refurbishing 560 2.2 Network/system installation 370 2.3 CAE administration 201 2.4 Staff training and awareness 180 2.5 Promotion and dissemination 140	- CAE implementation plan - Chart of accounts - Disbursements - Audited financial statements - Twice-yearly progress reports - Evaluation reports (interim and final)	- City halls or chambers of commerce have premises and budget for the CAEs - Management agreements concluded to create one-stop offices in the CAEs - The staff from the various agencies are willing to expedite the streamlining of procedures - The business sector welcomes the project. Dissemination of information on the project leads to use of CAEs
<b>Monitoring, evaluation, and financial control:</b> Financial evaluation, validation, planning for expansion to other cities, planning for additional services.	Total budget (US\$000) 3.1 Salaries 648 3.2 Executing units, equipment 42 Evaluation 94 Auditing 40 Contingencies 180 Total 3,100	- Annual action plan - Chart of accounts - Disbursements - Audited financial statements - Twice-yearly progress reports - Evaluation reports (interim and final)	- The participating agencies from different cities send in the execution and financial reports on time for consolidation by the project - The agencies participate actively in the Consultative Board - The progress and impact studies are conducted within the specified time periods

**PROPOSED RESOLUTION**

**COLOMBIA. NONREIMBURSABLE TECHNICAL COOPERATION  
FOR THE PROCEDURE SIMPLIFICATION PROGRAM  
FOR THE BUSINESS SECTOR**

**The Donors Committee of the Multilateral Investment Fund**

**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 Multilateral Investment Fund, to enter into such agreements as may be necessary with the Cámara de Comercio de Bogotá, and to take such additional measures as may be pertinent for the execution of the project proposal contained in Document MIF/AT- with respect to a technical cooperation for the Procedure Simplification Program for the Business Sector.
2. That up to the amount of US\$1,900,000, or its equivalent in other convertible currencies, shall be authorized for the purpose of this resolution, chargeable to resources of the Technical Cooperation Facility of the Multilateral Investment Fund.
3. That the above-mentioned sum is to be provided on a nonreimbursable basis.