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REGIONAL

**ICT INNOVATION PROGRAM FOR E-BUSINESS AND SME DEVELOPMENT
ICT4BUS-II**

(RG-M1060)

DONORS MEMORANDUM

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ABBREVIATIONS

B2B	Business-To-Business
B2C	Business-To-Consumer
CESI	Committee on Environment and Social Impact
CO	Country Office
CRM	Customer Relationship Management
ERP	Enterprise Resource Planning
ICA	Institute for the Connectivity of the Americas
ICT	Information and Communication Technology
IDB	Inter-American Development Bank
KFT	Knowledge Fund for Technology and Innovation
LAC	Latin America and Caribbean
MIF	Multilateral Investment Fund
NGO	Non-Governmental Organizations
PCR	Project Completion Report
RFID	Radio Frequency Identification Device
RFP	Request for Proposals
RTC/INT	Regional Technical Cooperation Division / Integration Department
SCM	Supply Chain Management
SME	Small and Medium Sized Enterprises
VoIP	Voice over Internet Protocol

**REGIONAL: ICT INNOVATION PROGRAM FOR E-BUSINESS AND
SME DEVELOPMENT (ICT4BUS-II)**

(RG-M1060)

I. EXECUTIVE SUMMARY

Coordinating Agency:	The MIF will oversee the proposed program. Individual pilot projects will be executed by selected institutions in the Latin America and Caribbean Region with proven experience in SME and/or ICT development.
Beneficiaries:	The direct beneficiaries of the program will be: (i) institutions involved in SME business development services and/or ICT development, including trade associations, universities, chambers of commerce, business development centers and research centers, which will act as the executing agencies; and (ii) over 2,400 SME which will participate in the pilot projects. It is expected that a large number of SME will benefit from the new services and solutions after the demonstration stage of each project has been completed.
Amount and Source:	Modality: Grant – Small Enterprise Development Facility (III-A) MIF: US\$ 10,000,000 Local: <u>US\$ 3,600,000¹</u> Total: US\$ 13,600,000
Terms:	Execution Period: 60 months Disbursement Period: 66 months
Objectives and Description:	<p>The general objective of the program is to further contribute to the improvement of competitiveness of SME in the LAC region by expanding their access to innovative ICT solutions and services.</p> <p>The purpose is to test and implement innovative ICT solutions and services that will enhance efficiency and market outreach at the firm level and within business clusters and supply chains.</p> <p>To achieve this objective, the project will include the following components: (i) Selection and funding for Pilot Projects; (ii) Technology Transfer Facility; and (iii) Dissemination of results.</p>
Environmental/ Social review:	The Committee on Environment and Social Impact (CESI) reviewed this project document in its meeting (04-06) January 27, 2006, and approved it without comments.

¹ This is an estimate of the total counterpart resources that will be required and provided by the Executing Agencies of the individual projects.

Relevant initiatives of other international entities:

The MIF will pursue collaboration with other international agencies involved in ICT funding and knowledge development, including the World Bank, and the Institute for the Connectivity of the Americas, a Canadian-funded hemispheric agency created within the framework of the Summit of the Americas held in Ottawa in 2002, which provided parallel financing for two projects supported by the ICT4BUS Program.

II. BACKGROUND

A. ICT a driver of SME competitiveness

- 2.1 By most standards, ICT's are a crucial factor in the productivity surge that developed countries have experienced since the 1990s. At firm level, the use of ICT brings efficiency and reduces costs and time in internal and external processes, enhances quality and customer services and provides data for management decisions. In a wider context, the Internet is causing swift changes in entire industries and provides further opportunities through what economists call "network externalities"².
- 2.2 One area that has seen rapid changes and bears significant consequences for the private sector is related to those services and solutions which come under the definition of e-business. It is important to point out that e-business is not limited to online selling (e-commerce). Beyond the transactional component, ICT applications, or e-business, are used mostly in business automation processes and support many functions within a given enterprise structure and/or value chain. These services, including systems for Enterprise Resource Planning (ERP), Customer Relationship Management (CRM), or Supply Chain Management (SCM), are having a profound impact on business structures and will influence their ability to compete both at local and international level.
- 2.3 The use of ICT, especially Internet-based technologies, benefits small and medium sized firms, which can now access software and services that until recently were the exclusive domain of large firms³. So far the typical use of Internet by SMEs, and even more so by SMEs in developing countries, has been limited to communications (e-mail, and now

² Network externalities are defined as the effect on value to a single user of products or services that are used by other users. A user will have greater use of such product or service if others use it as well. For instance, the widespread use of telephones is a result of a network effect.

³ The Tunis Commitment of the World Summit of the Information Society, held in November 2005, re-iterates the importance of ICT for SMEs: "We emphasise that the adoption of ICTs by enterprises plays a fundamental role in economic growth. The growth and productivity enhancing effects of well-implemented investments in ICTs can lead to increased trade and to more and better employment. For this reason, both enterprise development and labour market policies play a fundamental role in the adoption of ICTs. We invite governments and the private sector to enhance the capacity of Small, Medium and Micro Enterprises [SMEs], since they furnish the greatest number of jobs in most economies. We shall work together, with all stakeholders, to put in place the necessary policy, legal and regulatory frameworks that foster entrepreneurship, particularly for [SMEs]".

VoIP), some basic market intelligence, and online exposure. While competitive pressure and greater awareness of the use of ICT, are inducing SMEs in the Region to invest in ICT solutions and services, there is a lack of such solutions and services tailored towards specific needs and purchasing power of SMEs in their respective markets⁴.

- 2.4 Evidence from initiatives funded within the first ICT4BUS Program⁵ also shows that ICTs have the potential to reach what is commonly known as the bottom of the pyramid, i.e., small and micro businesses and consumers. An application of RFID based tracing systems in the province of Santa Fe, Argentina, is allowing small farmers, most of whom have never used a computer, to improve the management of their herds, get vital information on meat pricing, offer greater value to final customers and avoid unnecessary intermediaries in the meat export chain. In its pilot stage the system was implemented for herds totaling over 70,000 heads of cattle. In Colombia, a project managed by the national retail association is helping in its pilot stage over 750 micro and small retailers to improve inventory management, reduce cost of purchases while at the same time benefiting providers who are able to consolidate their sales and gain better understanding of market trends. In Venezuela, 50 pharmacies participating in a pilot are enabled to continue effectively serving over 600,000 customers in rural or marginal areas with support of a purchasing platform that improves their efficiency and cost effectiveness.

B. Lessons learned from the first ICT Innovation Program for e-Business and SME Development

- 2.5 To contribute toward the improvement of SMEs competitiveness through ICT, the MIF approved in July 2002 the ICT Innovation Program for E-Business and SME Development (ICT-4-BUS). The program's first edition earmarked US\$5M in grants for the development and implementation of pilot projects to demonstrate, in a real business environment, innovative ICT solutions and services primarily in the areas of value chain integration, workplace productivity and efficiency, and market penetration. Two Calls for Proposals, in 2002 and 2003, lead to the selection, of 12 projects in 8 different countries. The selected projects not only implemented technological platforms but also involved the necessary transformation of SME business processes to foster competitiveness. Over 1,500 SMEs participated in the pilot projects and over 10,000 are expected to benefit from ICT services and solutions within the following three to five years after the projects have been completed.

⁴ According to e-Marketer and IDC, "until more concerted efforts are made to bring Internet-based platforms to Latin America's numerous small businesses, the region's technology base will remain uneven". *IT and e-Business in Latin America*, December 2004. The report further states that "encouraging and facilitating the adoption of advanced e-business solutions by micro-, small and medium-size businesses continues to be a challenge not only in Latin America but throughout the world as well". To further ICT adoption, "nonprofit organizations and international lending agencies can also pitch in to make e-business solutions more accessible to smaller firms." On a macro-economic level, Latin America and the Caribbean as a whole are lagging all but Africa and the Middle East in e-readiness rankings, which use a number of indicators including infrastructure, business and government use, and education, to measure the degree of preparedness of a specific country. In 2006, almost all countries in the region dropped in the ranking of ICT readiness established by *The Economist*.

⁵ Reference documents: ICT Innovation Program for e-Business and SME Development (MIF-AT-474-1, 2, 3).

- 2.6 The program generated an overwhelming response from non-profit organizations in Latin America and the Caribbean: the two Calls for Proposals yielded over 200 submissions originating from 21 countries, a result that exceeded by far initial expectations. Furthermore, according to a program review⁶ conducted among participants to the program, 72% of the institutions understood well the scope of the program and were at ease with the selection mechanisms; 83% declared that they would participate again.
- 2.7 The benefits of the selection process, as confirmed by the reviews, include: a) the program is purely demand-driven; b) the competitive mechanism stimulated the participant's best efforts in terms of quality, cost-effectiveness and impact of their proposals; c) the transparency and efficiency of the process ensured credibility and recognition; d) the program allowed reaching out to other non-profit organizations that so far had not been able to approach the IDB or the MIF; e) the program developed a valuable knowledge base on trends in the IT sector both through the proposals themselves and the involvement of highly regarded experts in the selection process; f) its regional character enhanced the sense of community among organizations from different countries and will facilitate the development of knowledge networks; and g) the process proved to be effective in that it permitted reviewing a high number of profiles and effecting the selection efficiently in terms of time and cost.
- 2.8 The reviews had also several recommendations, such as: (i) greater emphasis on the role of the COs in the selection process and, crucially, in the administration and supervision of individual projects; and (ii) the supervision of the projects should involve not only the verification of administrative and financial compliance but also of achieving performance indicators. The latter recommendation would lead to introducing an administrative procedure within the proposed program that conditions the disbursement of funds on the achievement of results.
- 2.9 Also, despite a promising trend in the 2003 Call for Proposals, the participation from Group C and D countries remained relatively low, which reflects in part the overall economic development of these countries and/or the dimension of their markets. Specific needs of these countries in the ICT sector, such as awareness building or technical assistance to SME, may be addressed through other types of projects funded by the MIF, that are outside of the scope of the ICT4BUS program. Nevertheless, the new program will consider incentives, starting with a lower co-financing requirement⁷, to encourage the participation of organizations from these countries, as well as launching Calls for Proposals targeting certain groups of countries.
- 2.10 The development of ICT solutions and services aimed at SMEs carries opportunities for the replication of the best practices in other economic and cultural contexts. As noted in the first meeting of the executing agencies of the MIF ICT Cluster, which was hosted by the University of Monterrey in May 2005, non-profit organizations working with SMEs are interested in replicating the services and solutions developed by their projects in other

⁶ Two mid-term reviews were conducted, one which focused on the selection mechanisms of the program, and a second which reviewed three projects in different stages of execution. The reports are available in the technical files.

⁷ In the 2002 and 2003 Calls for Proposals the counterpart funding requirements were set for all participants at 40%.

countries of the Region. However, technology transfer is a complex process implying several steps involving participating organizations and requiring them to not only adopt a technology but also to adapt their own cultural and organizational settings⁸. This complexity is magnified when organizations are established in different countries. Accordingly, this Program would provide support for the implementation of a technology transfer process on a cross-border basis.

C. The Proposed Program

- 2.11 The proposed program will incorporate the recommendations set forth in the review of the first ICT4BUS program's procedures and also include new areas of technology development, such as e-learning tools and services, and mobile technology. Besides supporting green-field ICT projects, the program introduces a new line of grant financing that will facilitate the cross-border transfer of the most successful ICT solutions and services. To sustain the results and lessons learned of the individual projects, particular emphasis will be given to dissemination activities with yearly seminars, trade shows and the development of online communities.
- 2.12 The ICT4BUS Program is part of the MIF Cluster for ICT, which aims at enhancing the competitiveness of SMEs in the LAC countries through their adoption of ICT within the context of productivity, market and organizational changes. The Program develops a technological line that integrates initiatives of the Bank and governments in the Region aimed at fostering SME competitiveness. As such it contributes to improve the competitiveness of the Latin American and Caribbean economies, one of the objectives set forth by the IDB Institutional Strategy.
- 2.13 The program will complement activities to be supported by the recently approved Knowledge Partnership Fund for Technology and Innovation (KFT) funded by the government of South Korea. The KFT will focus its investments towards strengthening of national Innovation Systems and Science and Technology (S&T) programs. The Institute for the Connectivity of the Americas (ICA), a hemispheric agency funded by the Canadian government, co-funded in 2004 two of the projects selected by the first ICT4BUS Program. The MIF Office will explore the possibility of further cooperation with ICA and other international agencies.

⁸ "Technology transfer" is defined "as the movement of technological and technology related organizational know-how among partners (individuals, institutions, and enterprises) in order to enhance at least one partner's knowledge and expertise and strengthen each partner's competitive position. Technology transfer occurs at all stages of the technology innovation process, from initial idea to final product. [...] These processes integrate multiple functions, including organized research and development, design, production engineering, manufacturing, marketing, and other value-adding activities in a complex web containing multiple feedback loops. Like the innovation process proper, technology transfer is usually iterative, involving multiple transfer steps." Abramson, H. N., J. Encarnacao, P. R. Reid, and U. Schmock (eds.), *Technology Transfer Systems in the United States and Germany*, Fraunhofer Institute for Systems and Innovation Research, NAE, Washington, D.C., 1997.

III. PROGRAM OBJECTIVES AND COMPONENTS

A. Objectives

- 3.1 The general objective of the program is to further contribute to the improvement of the competitiveness of small and medium sized enterprises in Latin America and the Caribbean by expanding their access to innovative ICT solutions and services. The specific purpose is to test and implement innovative ICT solutions and services that will enhance efficiency and market outreach at both firm and cluster level.
- 3.2 To achieve this objective, the program will include the following components: (i) Funding for Pilot Projects; (ii) Technology Transfer Facility; and (iii) Dissemination of results.

B. Components

Component I: Selection and Funding for Pilot Projects (MIF: US\$8,041,500; Counterpart: US\$3,100,000)

- 3.3 The objective of this component is to select and finance pilot projects to test innovative ICT services and solutions that will benefit the competitiveness of small and medium sized businesses. The following activities are planned: (i) program promotion; (ii) project selection and approval; (iii) and execution and monitoring of individual projects.
- 3.4 **Program Promotion.** To ensure that the program receives a large number of varying proposals from qualified applicants, the following promotional activities are planned: (i) a multi-language program web site with information on the program's objectives and rules; (ii) publication of a program brochure; (iii) public announcements and distribution of printed promotional materials; and (iv) organization of regional seminars and participation to events.
- 3.5 **Eligibility of Applicants.** To ensure that new knowledge and lessons learned generated by the program benefit a maximum number of SMEs, the program will require that the Executing Agencies of the approved pilot projects be institutions with significant experience in working with SMEs in the Region or in developing ICT services and solutions. Typically, these will include: chambers of commerce, trade and/or industrial associations, universities, NGOs, and research centers. In the case of universities and research centers specialized in ICT, a financial partnership with organizations representing SMEs will be required.
- 3.6 **Project Selection and Approval.** The projects will be selected through at least three region-wide competitions (Calls for Proposals)⁹ to be held in the first three years. The program will use a two-stage application process. During the first stage a selection panel

⁹ Depending on the results of the first Call for Proposals, the MIF will consider the possibility of launching a Call for Proposals aimed at certain group of countries. When appropriate, these specific calls may also support projects that emphasize awareness building and technical assistance to SMEs in the use of ICT.

set-up by MIF will screen project profiles application forms and select between twenty-five and thirty profiles on the basis of institutional eligibility of the applicants and technical merits of the proposals. Institutions whose proposals pass the first assessment will submit to MIF a full project proposal, using a Proposal Application Form, which will request detailed information about the project. An external Advisory Panel, whose members include prominent ICT and/or business experts, will review the full project proposals and select up to fifteen projects based on technical and financial merits. Further consultations within the IDB, through an internal panel and the CO, will determine the final list of projects to be proposed for funding. It is expected that for each call, a minimum of six projects and a maximum of ten projects will be selected. Once the selection process has been completed, MIF will distribute the list of recommended proposals in the form of project abstracts to the Donors' Committee. The list will be considered approved if no comments are received within five working days from the date of distribution to the Donors Committee¹⁰. The final approval process is consistent with the one approved for the first ICT4BUS Program.

- 3.7 **Proposals.** Pursuant to the process, project proponents will include the following information in their proposals: (i) the ICT services and solutions to be tested during the pilot project as well as the number of SMEs (at least 50) that will be participating in the project; (ii) the needs of the SMEs to be addressed; (iii) the innovation and underlining technology development; (iv) the project deliverables and performance indicators; (v) the expected impact at firm and industry level; (vi) the strategy to achieve sustainability of the proposed services and solutions; and (vii) details about the proponent, its experience in the subject area, key personnel, partnership with other organizations and counterpart funding resources.
- 3.8 **Selection criteria.** The selection of the proposals will be based on the following criteria: (i) relevance of the technology solution and the problem to be addressed; characteristics in terms of innovation and demonstration of ICT for SME development; (ii) financial sustainability; the economic benefit of the proposal in terms of revenue and profits; (iii) beneficiaries and project impact; the potential outreach and benefits to new "communities" of SME users and degree of participation outlined by the proposal; (iv) institutional background; applicants' degree of experience in project execution and in working with SMEs in the Region; (v) institutional, financial and technical capability of the applicant institutions to carry out the proposed plan; appropriateness of the execution plan and resources to be mobilized for the project; and (vi) dissemination of the project; quality of the commercialization plan; potential impact and replicability at national and regional levels.
- 3.9 The selection process will carefully review plans for the financial sustainability of the proposed projects to ensure the continuity of the operation and distribution of the ICT solutions and/or services after project completion, paying particular attention to the economic viability of the ICT services and solutions to be developed by each project. The

¹⁰ The technical files contain the Competition Guidelines and a complete set of Application Forms.

selected projects will have to adhere to local regulations regarding equal employment opportunity and environmental protection.

- 3.10 **Financing.** The program will provide grants between US\$100,000 and US\$500,000 for each awarded proposal. The selected institutions are responsible for providing local matching financing between 30 and 50% depending on the country of implementation. Based on the results of the first ICT4BUS Program, it is expected that the average size of MIF financing for individual project will be around US\$360,000.
- 3.11 **Eligible Costs.** Costs eligible for MIF and counterpart financing within individual pilot projects are actual costs borne by the selected institutions (Executing Agencies) during the duration of the contract that are necessary for the performance of the work defined in the contract. These costs may include: (i) costs associated with the development of ICT solutions and services; (ii) payment of trainers, materials development, and training seminars; (iii) purchase of licenses, software, and minor computing equipment (not to exceed 30% of the project total budget); and (iv) additional consulting services required to carry out effective monitoring and dissemination with SMEs. Auditing costs will be covered with MIF resources. Costs for project administration (coordination and logistics) will generally be considered as counterpart funding. The executing agencies will purchase goods and services in accordance with Bank and MIF policies and procedures.
- 3.12 **Project execution & monitoring.** The execution and disbursement period of individual projects will generally not exceed, 24 and 30 months, respectively. The projects will be executed on the basis of clearly defined stages marked by performance indicators and deliverables. The execution period will be divided in up to 5 stages: (i) a start-up phase in which the Executing Agency will set-up the executing unit and hire the project director; (ii) up to three implementation stages of no more than six months each, in which the main components of the individual projects will be carried out; (iii) a concluding stage which will finalize the financial and contractual provisions and further define sustainability mechanisms on the basis of the results of the pilot. Monitoring and disbursements will be carried out by CO, with technical support from the MIF, and will be based on the achievement of the performance indicators and deliverables defined for each stage. The CO will determine, through the end-of-stage reports submitted by the Executing Agency, whether the targeted indicators and deliverables have been achieved and, if so, will proceed with the disbursement to finance the following stage. Two financial audits will be performed during the life of the projects, one unannounced, and a final audit prior to the commencement of the last stage.
- 3.13 **Expected results:** (i) 800 non-profit organizations in Latin America and the Caribbean informed about the program; (ii) 300 project profiles submitted through the Calls for Proposals; (iii) approximately 21 pilot projects are selected and executed; (iv) 2,000 SMEs participate in the pilot projects; (v) over 7,000 SMEs will benefit from the ICT services or solutions two years after program completion.

Component II: Technology Transfer Facility (MIF: US\$1,441,000 Counterpart: US\$500,000)

- 3.14 The aim of this component is to support the deployment, on a cross-border basis, of ICT solutions and services developed through projects funded by the ICT4BUS Program. To this end the following activities are expected: (i) selection and approval of proposals; and (ii) funding and monitoring of projects.
- 3.15 **Selection process.** The MIF will launch up to three requests for proposals (RFP) for the cross-border technology transfer of ICT solutions and services of which it has gained ownership through the ICT4BUS Program (see par. 5.4). Executing agencies whose projects funded by the program are completed or near completion will be invited to partner with a non-profit organization of a different country (partner organization) and submit a joint proposal to the MIF. The proposals will include the following information: (i) description of the demand of such services by SMEs in the country or region of the beneficiary; (ii) performance indicators and expected results; (iii) project cost and co-funding arrangements; (iv) work-plan with clearly established deliverables; (v) information regarding the proponents; (vi) analysis of the results and impact of the ICT solution or services implemented within the framework of the original project; and (vii) measures to be undertaken by the executing agency to ensure sustainability of the project.
- 3.16 The proposals will be evaluated on the following criteria: (i) expected demand for the ICT service or solution by SMEs; (ii) institutional, financial, and technical capability of the partner institutions to carry out the proposed plan; (iii) appropriateness of the implementation plan; (v) operational and financial sustainability of the proposed ICT solution or service; (vi) cost-effectiveness of the proposal. At least 30 SME should participate in the implementation stage of the ICT solution or service.
- 3.17 A Selection Committee composed of representatives of MIF and other IDB Departments will review competing proposals and select a short list of up to five proposals. The proposals will be sent for comments to COs in the respective countries of the participating non-profit organizations. An external consultant will be hired by MIF to review the economic and technical feasibility of the proposals and recommend up to three proposals per RFP. On the basis of such recommendations, the Selection Committee will submit the list of projects to the MIF Office for review and approval.
- 3.18 **Financing and eligible costs.** The program will provide financing of up to US\$150,000 for each technology transfer project. The MIF funding can cover costs associated with the adaptation of the ICT solution to the needs of the targeted SME population, training, technical assistance, and travel. Costs for project administration will generally be considered as counterpart funding. The use of the software license will be free of cost to the partner organizations. The partner organizations will provide co-funding of between 30 and 50% depending on the country of implementation. MIF will monitor the execution of the projects and carry out disbursements against deliverables and indicators established by the contracts.

- 3.19 **Project execution.** Projects execution and disbursements will generally not exceed 12 and 18 months, respectively. As these projects involve the participation of organizations in more than one country, the supervision of the projects will be carried out by the MIF Office, in cooperation with the COs. Monitoring and disbursements will be based on performance indicators and deliverables established in the contractual agreements.
- 3.20 **Expected results:** (i) 15 proposals submitted to the Facility; (ii) 8 technology transfer operations executed; (iii) 400 SMEs participate in the implementation stage; and (iv) over 1,000 SMEs benefit from the ICT services or solutions three years after project completion.

Component III: Dissemination of results (MIF: US\$110,000)

- 3.21 This component seeks to disseminate results and lessons learned of pilot and technology transfer projects, funded by the program. By sharing knowledge and information regarding the technical feasibility, economic viability and benefit to the SMEs of ICT services and solutions this component aims at ensuring wider adoption of such technologies in small businesses and industry sectors throughout the region.
- 3.22 To achieve this, the following activities are expected to be financed with resources of the program: (i) development of an online platform, which will centralize project documentation, including progress reports; the knowledge base of the projects will be made available to other private sector organizations as well as Bank personnel; (ii) two reports will be commissioned, to analyze processes and impact of ICT adoption by SMEs and within value chains; the reports should not refer solely to the results of the projects funded within the ICT4BUS program; it will put in evidence critical factors that will have to be considered by SMEs and their organizations; (iii) development of a module of the ICT Cluster platform aimed at facilitating the dissemination of ICT solutions and services developed within the program; specific information about each project's services and preliminary results will be collected and published on the web and in a publication; (iv) finally, a study will be prepared to review legal issues related to the use of IPRs in conjunction with projects supported by the program and to draft alternative licensing agreements, in line with the Bank's policies, for the distribution of software and/or services.
- 3.23 Expected results of this component include: (i) at least 150 non-profit private sector organizations register to review documentation about ongoing and completed projects; (ii) best practices reports are downloaded by at least 300 users, including non-profit organizations, private firms and/or individuals; (iii) at least 50 requests for information on ICT solutions and services submitted to the executing agencies via the web site; (iv) the Bank and the executing agencies adopt the license agreement draft within the context the commercialization of ICT services and solutions developed by the ICT4BUS funded projects.

IV. EXECUTING AGENCY AND EXECUTION MECHANISM

- 4.1 **Program coordination.** The MIF Office will oversee the proposed program and will be responsible for: (i) preparation and application of the operational guidelines and technical and competition documents; (ii) program promotion; (iii) launch of the competition and management of the selection process; (iv) providing technical support to CO for the monitoring of individual pilot projects funded within component I (see par. 3.12); (v) monitoring of projects funded within component II (see par. 3.20); (vi) execution of dissemination activities; (vii) evaluation of the Program; and (viii) hiring and supervision of the external consultants. The MIF Office recently hired a seasoned technology advisor to work on technology related strategies and projects of the MIF. This advisor will be charged with overseeing the administration of this program, reporting to the MIF Manager, through the MIF Operations Unit. With this hiring and the Unit's existing capacity, the MIF Office will have the capability to execute the selection of the Projects in both components, and the administration of Component II.
- 4.2 **Advisory Panel:** The members of the Advisory Panel (see par. 3.8) will be selected on a rotational basis from a list of prominent experts in the technology and/or SME sector. The MIF will consult the panel at least once a year to provide intelligence regarding trends and issues in the use of ICT in Latin America and the Caribbean and offer feedback and recommendations on the program. A similar consultative role will be played by the IDB/MIF internal panel, which is composed of representatives from operational and central units of the MIF and the Bank.
- 4.3 **Execution and disbursement periods.** Execution and disbursement periods of 60 and 66 months, respectively, are anticipated for the overall ICT4BUS Program.

V. COST AND FINANCING

- 5.1 **Cost and financing.** The total cost of the program is expected to be US\$13,600,000, of which MIF will contribute up to US\$10,000,000 chargeable to the technical cooperation resources of the Small Enterprise Development Facility (III.A). The program will be structured as follows: up to US\$5,000,000 will be eligible for the financing of individual operations upon approval of the Program by Donors Committee. The remaining US\$5,000,000 will be eligible for the financing of individual operations once the results of the final Evaluation of the first ICT4BUS Program have been presented to the Donors Committee. The table below provides a breakdown of the use of program resources:

Table 1. BUDGET BY ACTIVITIES (IN US\$)				
ACTIVITIES	MIF	COUNTERPART	TOTAL	%
Component 1				
Program promotion	78,500	-	78,500	0.6
Project selection	160,000	-	160,000	1.2
Project Execution	7,665,000	3,100,000	10,765,000	79.2
Monitoring	138,000	-	138,000	1.0
Component 2				
Promotion & Selection	113,000		113,000	0.8
Project Execution	1,200,000	500,000	1,700,000	12.5
Monitoring	128,000		128,000	0.9
Component 3				
Dissemination	110,000	-	110,000	0.8
Administration & Evaluation				
Project Coordination	190,400		190,400	1.4
Evaluation (mid-term and final)	120,000	-	120,000	0.9
Contingencies	97,100		97,100	0.7
TOTAL	10,000,000	3,600,000	13,600,000	100

- 5.2 Up to US\$8,000 will be assigned to each individual project to cover activities of the ICT Cluster.
- 5.3 **Sustainability.** The sustainability of the program will be mostly determined by the economic, organizational and technical viability of the individual projects. Their sustainability, to be outlined in business plans by the proponents, will be part of the project selection criteria. Four months before the completion of each project, the CO and MIF will organize a sustainability seminar, which will discuss plans for the operational and financial continuity of the ICT services and solutions. The program will also provide support for the long-term sustainability of the individual projects through the dissemination activities and the financing of cross-border technology transfer initiatives.
- 5.4 **Intellectual Property Rights.** The Executing Agencies will assign the Bank any copyrights, patents or other type of rights that arise in connection with the work and the documents that the MIF finances, in order that the MIF may disseminate lessons learned and best practices obtained in the course of the projects. Upon request, the Bank may grant licenses back to executing agencies free of charge for a limited period of time on an exclusive or non-exclusive basis.

VI. BENEFITS AND RISKS

B. Benefits

- 6.1 The program will carry benefits for SMEs insofar as it will develop ICT services and solutions that will help them overcome structural inefficiencies at the firm level or in their value chains, and increase their ability to seize market opportunities. Furthermore, the program will help intermediary organizations, such as Chambers of Commerce and

trade associations, which already provide a range of services to their constituents, to include more advanced services in their offerings.

C. Beneficiaries

- 6.2 The principal beneficiaries of the program will be at least 2,400 micro, small and medium sized enterprises, which will directly participate in the funded projects and are expected to benefit from increased efficiency and market opportunities offered by the use of ICT. Although the minimum of SME participants required per individual pilot project is set at 50 (30 for technology transfer projects), it is expected that on average the participation of SMEs in these projects will exceed 100 (50 for technology transfer projects). Based on the projections of individual projects for the first ICT4BUS Program, which exceeded 5,000 beneficiaries, it is expected that at least 7,000 SMEs will receive benefits from the ICT services and solutions within two years after the completion of the Program.

D. Risks

- 6.3 Two risks have been identified: (i) given the pace of change in technology and the program selection process, which will span a period of approximately seven months, the projects may be seeking technologies that are already obsolete. *Mitigant:* the technology is meant to address efficiency bottlenecks and facilitate organizational changes which usually are not done overnight; the program will require, when appropriate, that executing agencies perform a technology assessment in the initial stages of the projects; (ii) SMEs might not be ready to incorporate technology and thus endanger the long term sustainability of the services or solutions to be deployed. *Mitigant:* experience has shown that once the economic benefits of the use of technology are evident, SMEs turn to be quick adopters; furthermore a particular emphasis will be put on awareness building and technical assistance within the projects.

VII. MONITORING AND EVALUATION

- 7.1 **Monitoring.** The Executing Agencies will prepare and submit to the Banks' Country Offices (CO) project progress reports within thirty (30) days after the completion of each project stage and a final report within 30 days from the final disbursement. These reports will follow a common format for MIF projects and will address project activities and finances, as well as results measured in terms of the indicators and benchmarks identified in the projects' logical frameworks. The CO will utilize these reports to monitor project implementation progress and to prepare Project Completion Reports within three months of the last disbursement of each project. For each project supported in Component I and II, the CO or MIF (for the cross-border component) will undertake periodic visits as part of its monitoring efforts.
- 7.2 **Evaluations.** At project level: the CO responsible for the supervision of the individual projects funded within Component I will hire independent consultants to perform the evaluation prior to the last disbursement for each project. The evaluation will review the performance and results of the projects based on indicators established in the logical framework and baseline. The executing agency will perform, with its own resources, an

ex-post evaluation two years after project completion. In the case of technology transfer projects the MIF Office will hire a consultant to evaluate the projects prior to the final disbursement. At program level: an intermediate and a final evaluation of the program will be undertaken by external consultants to be contracted directly by the MIF with Program funds. The mid-term evaluation will be prepared 24 months after the commencement of Program implementation. A final evaluation will be conducted three months after the end of the Program. For the intermediate evaluation, the consultant will consider the selection process implemented by the program, the quality of the approved projects, and the impact of the result-oriented execution mechanisms established for the individual projects. For the final evaluation, the consultant will take into account: (i) the economic benefits achieved among all participating actors in each project; and (ii) the sustainability of the ICT solutions and services developed by the individual projects.

- 7.3 The executing agencies of individual projects will compile supervision and project evaluation indicators. These indicators will be set forth in the Logical Framework of each project and will be used by the CO and the MIF Office to gauge the overall impact and to assess the results. The executing agencies will provide access to all of the information and documentation needed to conduct these evaluations. A set of indicators will be gathered on a centralized platform so as to allow comparative analysis of the projects funded by the Program.

VIII. ENVIRONMENTAL AND SOCIAL IMPACTS

- 8.1 As outlined in par. 3.9, the eligibility criteria of individual projects to be funded within the Program will include environmental and labor-related considerations. The Committee on Environment and Social Impact (CESI) reviewed and approved the project abstract at its meeting (04-06), January 27, 2006, without comments.