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MULTILATERAL INVESTMENT FUND

MEXICO

**PILOT PROGRAM FOR DEVELOPMENT AND IMPLEMENTATION
OF FAMILY PROTOCOLS FOR SMES**

(ME-M1031)

DONORS MEMORANDUM

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ABBREVIATIONS

CESI	Committee on Environment and Social Impact
SME	Small or medium-sized enterprise
ULSA	Universidad La Salle

PILOT PROGRAM FOR DEVELOPMENT AND IMPLEMENTATION OF FAMILY PROTOCOLS FOR SMEs

(ME-M1031)

I. EXECUTIVE SUMMARY

Beneficiary country:	Mexico		
Executing agency:	Universidad La Salle		
Beneficiaries:	The project will directly benefit 150 family-owned small and medium-sized enterprises (SMEs), ¹ which will draft a family protocol and develop spheres of governance for the management or ownership of the family business.		
Financing:	Modality:	Nonreimbursable MIF Facility III-A	
	MIF: ²	US\$1,004,632	(50%) ³
	Executing agency:	<u>US\$ 995,496</u>	(50%)
	Total:	US\$2,000,128	
Objectives:	The project <i>goal</i> is to promote the survival, competitiveness, and growth of SMEs in Mexico. The <i>purpose</i> is to establish and validate a model for introducing family protocols and governance structures in order to professionalize family SMEs.		
Execution timetable:	Execution period:	42 months	
	Disbursement period:	48 months	
Special contractual conditions:	Conditions precedent to the first disbursement of MIF resources: (i) selection of a coordinator for the project coordination unit; (ii) formation of the Steering Committee; and (iii) entry into force of the Operating Regulations.		
Exceptions to policy:	None.		

¹ Family enterprises that do from US\$1 million to US\$5 million in business, have existed for 12 years or more, are headquartered in one of the selected states (the Federal District, Mexico State, and Puebla), and have up to 100 employees.

² The MIF contribution includes US\$15,000 for activities to coordinate between this project and any future family-business-related projects.

³ Percentage excludes coordination with other projects.

Similar projects:	No similar projects are being funded by other development finance institutions.
Environmental and social review:	The Committee on Environment and Social Impact (CESI) reviewed the project abstract at its 6 October 2006 meeting and made no comments.

II. BACKGROUND AND PROBLEM

- 2.1 **Family business.** Though no precise definition of a family business can be given, as there is no agreement on how to define it, a family business is one that simultaneously meets the following conditions: (i) one to at most three families control ownership; (ii) some members of the families controlling ownership have a working relationship with the company that involves managerial responsibilities; and (iii) the company's structure of responsibilities features individuals from two different generations of the families controlling ownership. In the case of first-generation family businesses, the members of the first generation have a clear desire to transfer ownership and leadership of the business to the members of the second generation.
- 2.2 Owing to the lack of consensus as to how to define a family business, and since censuses do not classify firms as family or nonfamily businesses, no country has any reliable statistics that accurately indicate what percentage of businesses are family-owned, but a conservative estimate is that the percentage of businesses worldwide that are run or owned by a family lies between 65% and 80%.⁴ It should be added that it is impossible to classify an enterprise as a family business based solely on its size. While most are micro, small, and medium-sized enterprises, there are also large, efficient, well-established family-owned companies that are market leaders, as is the case of Cemex, Bimbo, Femsa, or Grupo Alfa in Mexico.
- 2.3 **Problem to be addressed.** According to Canada's Institute for Family Enterprise, fewer than 20% of family businesses manage a successful transition from the first to the second generation, and fewer than 5% make it to the third generation, as their unique features impose certain constraints that make themselves felt as the business grows and become problems at the time of succession. Various studies have found that only one of every three family enterprises makes it to the second generation and half of these survive from the second to the third. Among the chief limitations and problems plaguing family businesses are the following: (i) limited resources to finance their growth; (ii) difficulties in taking on outside partners and selling family-owned shares; (iii) inconsistent compensation of family members versus

⁴ D.R. Dreux, "Financing Family Business: Alternatives to Selling Out or Going Public," *Family Business Review*, III, 1990.

- employees; (iv) confusion between the concepts of family and business; (v) resistance to change; and (vi) lack of long-range planning. In short, the relationship between the aforementioned systems (business and family) is managed poorly.
- 2.4 From a practical standpoint, various tools for managing the family/business relationship have been identified as effective in addressing and solving the problems typical of this type of enterprise, most notably the development of spheres of governance and the drafting of a family protocol. In the case of Mexico, however, despite the large number of family businesses, the notion of implementing a model for the development and consolidation of family businesses is still very new. Efforts are beginning to be made to promote the idea, but while general problem areas are being discussed and the creation of family boards or councils is being encouraged, there is still no systematic, ordered, comprehensive family-organization process underway among SMEs, which are largely unfamiliar with the concept of the family protocol as a tool for regulating the various relationships that arise within such enterprises.
- 2.5 A **family protocol** is defined as an agreement among family shareholders possessing assets and rights who wish to manage them as a whole and preserve them over time by setting rules to govern the firm's organizational structure and the professional and economic relationships between the family and the business.⁵ The family protocol is essentially an instrument governing the business/family relationship. From the point of view of the business, a family protocol should help to professionalize strategic management and to institutionalize the family's basic values within the firm. From the point of view of the family, a family protocol should help to foster unity and harmony amongst its members, to professionalize them as business owners, and to preserve the family values that make the business strong.
- 2.6 A family protocol enables the business to: (i) delimit family members' access to the business; (ii) establish positions of responsibility for both the management and governance of the business; (iii) set dividend policy and financing policy vis-à-vis family members; (iv) regulate the transfer of shares; (v) determine which family members should be the points of contact for company managers; (vi) determine what information to provide to family groups, (vii) form a family assembly and family council; and (viii) in general, provide for the succession of the founders of the business.
- 2.7 Lack of familiarity with these issues is causing a serious problem in Mexico with regard to companies' competitiveness and growth, as there is often no clear line where business issues begin and family issues end; this type of conflict is solved largely by improvisation, and there is definitely no culture of planning to avoid

⁵ *El Protocolo Familiar: ámbito y contenido* [The Family Protocol: Scope and Content], Universidad de Navarra, March 2004.

- them. Furthermore, the availability of trained advisors for family businesses is extremely limited, since the same lack of information on the subject has prevented the development of a broad array of experienced consultants that could provide businesses with solutions tailored to each one's specific needs.
- 2.8 **Rationale.** This project represents an opportunity for the MIF to take part in developing a solution to the above problems that has a positive impact on the evolution, development, and survival of these businesses. The project is **innovative** in its comprehensive approach of disseminating a working framework that will help to create active spheres of governance through a family protocol model, implementing the model in a pilot group of 150 SMEs in at least five different sectors of economic activity, and creating a source of consulting services that can support implementation of the protocol and help to spread its use.
- 2.9 The **additionality** for Universidad La Salle of the MIF's involvement in the project lies in the know-how that the MIF can share with the university thanks to the experience it has gained in working on similar projects currently in execution or preparation. In addition, the lessons learned and best practices drawn from project execution will generate a **demonstration effect** that should help raise awareness among family businesses of the advantages of putting current family relationships with the business in order and planning for future changes with a view to ensuring their sustainability.

III. OBJECTIVES AND COMPONENTS

- 3.1 **Goal and purpose.** The project **goal** is to promote the survival, competitiveness, and growth of SMEs in Mexico. The **purpose** is to establish and validate a model for introducing family protocols and governance structures in order to professionalize family SMEs. The project will have four components:
- 3.2 **Component 1: Develop a typology of the problems facing businesses and design a model (MIF US\$39,200; Local US\$14,700).** The aim of this component is to identify the different types of family enterprises in terms of the family/business relationship, evaluating the degree of development of the company's management systems and the degree of complexity of family relationships. This will help to develop a model to address challenges by implementing effective solutions with respect to the design of governance structures and the drafting of family protocols. Problem areas will be studied from the point of view of both the family dynamic and the business dynamic.
- 3.3 The following activities will be conducted to effectively execute this component: (i) technical assistance in developing a typology within a conceptual framework that identifies the problems faced by various categories of family business; (ii) surveys to verify the typology empirically; (iii) technical assistance in conducting a comparative analysis with other existing models to validate the family business typology found in the case of Mexican family-owned SMEs; and (iv) technical assistance in designing a conceptual framework that enables

- governance structures and family protocols to be instituted as a way of solving the problems identified for each type of family business.
- 3.4 The expected outcome is the development of a database with at least 750 family businesses, classified by type, and the design of a conceptual framework for instituting spheres of governance and drafting a family protocol for each business type.
- 3.5 **Component 2: Raise awareness among family-owned SMEs and train consultants (MIF US\$82,600; Local US\$122,850).** The aim of this component is for family-owned SMEs and consultants to understand that, from the perspective of the critical dynamic of the relationship between a family and its business, survival and development depend on the degree of professionalization, achieved by introducing governance structures and family protocols to govern the family-business relationship.
- 3.6 The following activities will be conducted: (i) project launch and awareness-building seminars for family-owned SMEs; (ii) workshops to train consultants on family protocols and governance structures; (iii) procedures for identifying eligible family SMEs that are interested in participating in the project; and (iv) design and maintenance of a special project website.
- 3.7 The expected outcomes for this component are: (i) greater awareness among at least 1,400 managers from 700 family-owned SMEs in the three states, achieved by holding 20 seminars; (ii) five consultant workshops, with participation of at least 100 professionals and certification of at least 20 consultants (listed in the consultant directory); (iii) identification of 200 eligible family SMEs that express interest in continuing to participate in subsequent phases of the project, and (iv) design and operation of the project website.
- 3.8 **Component 3. Implement the model (MIF US\$535,000; Local US\$565,800).**
- 3.9 The aim of this component is to introduce the tools of governance structures and family protocols at each of the family businesses participating in the project, according to the type of family SME that each one represents. Implementing the developed model will provide solutions to the problems faced by the various types of family business. Implementation of these solutions will be based on the activities carried out under components 1 and 2.
- 3.10 The following activities will be conducted: (i) technical assistance in preparing the implementation manual; (ii) technical assistance in implementing the model.
- 3.11 The expected outcomes are that (i) 18 months into the project, the manual for implementation of the model for each type of family business will be ready; (ii) 32 months into the project, implementation agreements will have been formalized with at least 170 family SMEs, and the process of implementation through application of the model will have begun; and (iii) 42 months into the project, family protocols and governance structures will be fully implemented in at least 150 family SMEs.

- 3.12 **Component 4: Dissemination of experiences (MIF US\$5,212; Local US\$38,430).** This component seeks to clearly document, disseminate, reinforce, and preserve over time the learning, improvements, and benefits experienced by the family businesses taking part in the different stages of the project.
- 3.13 Several activities will be conducted: (i) addition of the specific subject of running family businesses to the academic continuing education curriculum at Universidad La Salle (ULSA); (ii) preparation of materials consisting of five case studies of family businesses using governance structures and family protocols; (iii) seminars to disseminate the preliminary outcomes and lessons learned from the project; (iv) an international seminar on the project content and outcomes; and (v) a closing workshop and project evaluation.
- 3.14 The expected outcomes are: (i) that ULSA will have added a program on family business management to its standard continuing education curriculum; (ii) a publication featuring five practical case studies; (iii) three seminars to disseminate the preliminary outcomes and lessons learned from the project; (iv) a conference in Mexico City at the end of the project to analyze its outcomes, with international experts invited; and (v) a closing workshop to evaluate the project as well as to identify mechanisms that can be put into place to help make the project self-sustaining into the future.

IV. COST AND FINANCING

- 4.1 The total project cost is US\$2,000,128; the MIF will contribute US\$1,004,632 of nonreimbursable Facility III-A resources and the local counterpart will contribute US\$995,496, of which at least 50% will be in cash. The MIF will finance the costs of technical assistance, training, evaluations, audits, and coordination activities (US\$15,000). Local counterpart funds will be used in part to cover administrative costs, including the cost of the assistant project coordinator, the administrative assistant/accountant, and the secretary, whose job descriptions are set out in the project Operating Regulations. The estimated budget is laid out in the following table:

(in U.S. dollars)

Components	MIF Contribution	Local Contribution	Total
Staff	192,000	1,499,400	341,400
Logistics	0	104,316	104,316
Component 1	39,200	14,700	53,900
Component 2	82,600	122,850	205,450
Component 3	535,000	565,800	1,100,800
Component 4	5,212	38,430	43,642
Subtotal	854,012	995,496	1,849,508
Contingencies (3%)	25,620		25,620
Baseline, midterm and final evaluation	70,000		70,000
Audits (4)	40,000		40,000
Total	989,632	995,496	1,985,128
Coordination activities	15,000		15,000
Grand total	1,004,632	995,496	2,000,128
Percentages (excluding coordination)	50%	50%	100%

- 4.2 The model's sustainability, seen as its enduring over time, should be secured by establishing a framework that meets the expectations of the participating SMEs. Sustainability will be addressed through: (i) the counterpart contribution paid by family businesses for the services cofinanced (by 50%, on average) during component 3; (ii) the development of a marketplace for educational courses and consulting services in the area of governance tools and family protocols, which will alleviate the problems that beleaguer family businesses; (iii) a higher level of development and growth of family businesses as they overcome the typical problems; (iv) a growing willingness among family businesses to pay for the total cost of services as the project progresses; (v) the inclusion of family businesses that receive financing from sources other than this project, particularly from financial institutions; and (vi) ULSA's establishing itself as the facilitator of a model for implementing these tools to benefit family businesses.

V. EXECUTING AGENCY AND EXECUTION MECHANISM

- 5.1 Universidad La Salle (ULSA) was founded in Mexico in 1962. It has a student body of approximately 11,000 and has a presence in 10 Mexican states, with campuses in Cuernavaca, Pachuca, Morelia, Ciudad Obregón, Cancun, Guadalajara, Puebla, Guanajuato, Monterrey, and La Laguna. ULSA has experience in formal research, with dedicated researchers. For some years it has been offering various programs for SMEs (seminars, courses, diplomas), this being the market segment in which it has been most involved historically and is most closely aligned with the profile of its students. Its business outreach activities feature a business incubator, which provides comprehensive business development

- support by training micro, small-, and medium-scale entrepreneurs and by providing advisory services in technology development as well as assistance with formalities involving licenses, registrations, patents, and copyrights. Part of a project under the National Network of Business Incubators supported by the Economy Ministry through the SME Fund, this keeps it in contact with providers, financial institutions, and various markets.
- 5.2 The Steering Committee will have four members: the University Chancellor, the Academic Vice-Chancellor, the Administration and Finance Director, and the Continuing Education Coordinator. It will act as an actual governing body for the project, its specific functions being to set strategic guidelines, supervise the project coordinator, and approve reports and budget appropriations. The project coordinator will report directly to the Continuing Education Coordinator. The Steering Committee will be responsible for selecting the project coordinator; ensuring the entry into force of, and adherence to, the Operating Regulations; overseeing the budget; keeping execution on track by approving progress reports and semiannual work plans; helping to identify, and eventually arrange for, additional resources in support of the project; and creating the conditions to ensure sustainability after the MIF project comes to a close. It will meet at least once a month and additionally as needed to implement the project.
- 5.3 Another institutional structure will be the Advisory Council, which will provide strategic guidance and whose members will tentatively be the Chamber of Consultants, the Chamber of Commerce, the Mexican Securities Exchange, the American Chamber of Mexico, and the Mexican Employers' Association (COPARMEX). The Council will hold at least three annual meetings.
- 5.4 **Execution period.** The project is expected to have an execution period of 42 months. The disbursement period will be 48 months, to allow for contracts to be completed and outputs to be delivered. A revolving fund of up to 10% of the MIF contribution will be established.
- 5.5 **Project readiness.** The project objectives, components, and activities have been agreed upon. The executing agency has provided a letter committing to contribute the counterpart funds, of which at least 50% will be in cash. The main eligibility criteria for the different components and activities have also been agreed upon, and the job descriptions for the coordinating unit staff have been prepared, as have the terms of reference for the main consulting assignments; the Operating Regulations have been drafted and approved.
- 5.6 **Procurement and contracting.** The executing agency will procure goods and related services and select and contract consultants in accordance with the relevant Bank policies (documents GN-2349-7 and GN-2350-7). The executing agency may use the shopping method to procure goods and related services valued at less than US\$30,000, pursuant to paragraph 3.5 of document GN-2349-7. For consultants, the executing agency may use any of the selection and contracting methods provided for in document GN-2350-7. In keeping with paragraph 2.7 of document

GN-2350-7 (“Policies for the selection and contracting of consultants financed by the IDB”), the shortlist of consultants whose services are valued at less than US\$100,000 equivalent per contract may comprise entirely national consultants. The executing agency will submit the procurement plan for the first 18 months of project execution to the Bank prior to the procurement of goods or the selection and contracting of any consulting services. All procurement and contracting under the project will be subject to prior review. The technical files include the proposed procurement plan, which will be reviewed annually.

- 5.7 **Special conditions.** As conditions precedent to the first disbursement, ULSA will: (i) select the program coordinator, (ii) form the Steering Committee; and (iv) put the program Operating Regulations into force.

VI. MONITORING AND EVALUATION

- 6.1 The Bank’s Country Office in Mexico will be responsible for supervision and monitoring of compliance with contractual clauses, processing of disbursement requests, and receiving audited financial statements. The executing agency, through the project coordination unit, will submit semiannual status reports to the Country Office in accordance with the Bank’s standard reporting requirements.⁶ A closing workshop will be scheduled for the end of the project to evaluate outcomes and determine the actions needed to enhance the project’s impact.
- 6.2 The Bank will contract two consulting assignments for the midterm and final evaluations. The midterm evaluation will be commissioned once 50% of the MIF resources have been committed or midway through the disbursement period, whichever occurs first. The main objective of this evaluation will be to measure the project’s progress in terms of the execution of each component and the degree to which the midterm outcome indicators in the logical framework have been met (see Annex I), placing special emphasis on the following: (i) the applicability and quality of the professionalization manual for instituting governance structures and family protocols; (ii) the amount of interest expressed by businesses in the project launch and awareness-building seminars and their effectiveness; (iii) the quality and usefulness of the project website; (iv) the number of, and market demand for, professionals trained to provide consulting services in the area of family business management; (v) the number of eligible businesses implementing the model developed under component 1; and (vi) the degree of satisfaction among the businesses helped. It will also cover issues related to the effectiveness of the project executing agency and the institutional capacity of ULSA and the other institutions involved in the project, and well as the counterpart’s compliance with the *pari passu* requirement set in the budget and Operating Regulations. If necessary, the midterm evaluation will make recommendations so that the Bank and the executing agency may jointly devise corrective measures.

⁶ Progress reports as of 31 December and 30 June.

- 6.3 Its main objective is to measure the project's progress in terms of achieving the midterm outcome indicators, and will consider at least the following issues: (i) the evolution of the logical framework indicators (see Annex I); (ii) the degree of progress in executing each component under the project; (iii) the institutional capacity of the executing agency and the other institutions involved in the project; and (iv) counterpart compliance with the *pari passu* requirement set in the budget and Operating Regulations. The final evaluation will be done once execution is complete or 95% of the MIF resources have been disbursed, whichever occurs first. This evaluation will assess outcomes in terms of the degree to which the final outcome indicators set in the logical framework have been met and in relation to the baseline set at the start of the operation, primarily with regard to: (i) the creation of a market for training courses in governance tools and family protocols; (ii) the willingness of family businesses to pay for the costs of ULSA's services; (iii) the level of demand among family businesses for the consultant directory created under the project; (iv) the effectiveness of the manual developed for implementing governance structures and family protocols; (v) the number of businesses helped and their level of satisfaction (i.e. effects on the professionalization of management, access to credit, etc.); (vi) the amount of interest expressed by new businesses in adopting the manual; (vii) the extent to which ULSA has established itself as the facilitator of a model for implementing these tools to benefit family businesses; and (viii) the expected sustainability of the actions promoted by the program once the MIF contribution has ended.

VII. BENEFITS AND RISKS

- 7.1 **Benefits.** The project will contribute to greater professionalism in the business management and organizational structure of family-owned SMEs in three states (the Federal District, Mexico State, and Puebla) by remedying the lack of knowledge on the part of heads of family businesses about the importance of instituting more transparent professional management practices and by setting rules to govern the relationship between the family and the business. In essence, the project's main benefit is that it will contribute to the survival and development of a greater number of family businesses in the Federal District, Mexico State, and Puebla as a pilot model to be replicated in other states.
- 7.2 The project beneficiaries fall into three major groups: (i) family-owned SMEs that implement the model; (ii) consultants that meet the criteria set out in this chapter, who will benefit from the technical assistance and the training workshops under component 2 and from the cumulative experience with the services they provide to family businesses in designing governance structures and drafting family protocols as part of the activities for component 3 of this project; (iii) various groups of interest that will be able to establish and maintain more beneficial relationships owing to the professionalization that the family SMEs will undergo. These groups of interest are those persons or organizations involved directly or indirectly with the family businesses, including: rating agencies, trade associations, researchers,

teachers, and independent professionals. The business community will benefit from the dissemination activities planned for component 4 of this project as well as from the findings of the research carried out during the different stages of the project.

- 7.3 **Risks.** This project entails the following risks: (i) it might not be possible to identify and hire professionals with the required profile, or the contract conditions offered might not be attractive. Should this prove to be the case, the possibility of modifying the budget—either by reducing the number of seminars and/or the number of professionals hired—should be considered, so that the savings generated could be allocated to improving monetary contract conditions and serve as encouragement to seek the services of professionals with higher fees; (ii) the family businesses and/or consultants might drop out of the project owing to a lack of interest. This risk could arise in the event of a macroeconomic downturn, which is unlikely in the short term given the macroeconomic stability seen currently.

VIII. SOCIAL AND ENVIRONMENTAL IMPACT

- 8.1 The project has no adverse environmental impacts, since its activities will focus on family issues within the business sector. The Committee on Environment and Social Impact (CESI) made no specific recommendation for the project in the minutes of its meeting 39-06 of 6 October 2006.

LOGICAL FRAMEWORK

Project number: ME-M1031

Project title: Pilot Program for Development and Implementation of Family Protocols for SMEs

Executing agency: Universidad La Salle, A.C. (ULSA)

Narrative summary of objectives	Indicators	Means of verification	Assumptions
Goal To promote the survival, competitiveness, and growth of small and medium-sized enterprises (SMEs) in Mexico.	Three years after project end: <ul style="list-style-type: none"> At least 100 new businesses have instituted governance structures or a family protocol based on the model developed by the project. 	<ul style="list-style-type: none"> List of businesses and consultants' reports based on surveys, the website, and university records 	<ul style="list-style-type: none"> The country's macroeconomic and political situation remains stable. There is interest among SMEs in implementing the model.
Purpose To establish and validate a model for introducing family protocols and governance structures in order to professionalize family SMEs.	By project end: <ul style="list-style-type: none"> 150 family SMEs in 3 states (Federal District, Mexico State, and Puebla) have implemented the model. At least 80% report a positive level of satisfaction with the technical assistance received, as well as tangible benefits to their business (access to credit, higher sales, and other parameters set in the baseline). 	<ul style="list-style-type: none"> Final evaluation and project completion report Records from the executing agency's monitoring system Baseline Midterm evaluation (includes survey to gauge the satisfaction of beneficiary businesses) Existence of explicit family protocols Closing/sustainability workshop 	<ul style="list-style-type: none"> Businesses remain interested in taking part in the project and adopting the model, and there is demand to participate in the activities.

Narrative summary of objectives	Indicators	Means of verification	Assumptions
Components			
<p>1. Develop a typology of the problems facing businesses and design a model</p> <p>Objective</p> <p>To define a conceptual framework for a family business typology with a model allowing for spheres of governance to be instituted and family protocols to be drafted for each business type.</p>	<p>12 months into execution:</p> <p>1.1 Database with at least 750 family businesses, classified by type</p> <p>1.2 Model developed for designing spheres of governance and drafting a family protocol for each business type</p>	<p>1.1 Conceptual framework allowing types of family businesses to be identified according to their characteristics (level of strategic management and complexity of relationships)</p>	
<p>2. Raise awareness among family-owned SMEs and train consultants</p> <p>Objective</p> <p>To raise awareness among family businesses of the importance of instituting a family protocol and designing governance structures and to train consultants on implementation of the model.</p>	<p>24 months into execution:</p> <p>2.1 700 family businesses are aware of the importance of family protocols and spheres of governance, and 30% of these have expressed interest in taking part in the project.</p> <p>2.2 100 consultants trained on the model.</p> <p>2.3 At least 20 consultants “certified” by the project.</p> <p>2.4 Website in place</p>	<p>Seminar attendance list and agenda</p> <p>Letters of interest from businesses</p> <p>Consultant directory</p> <p>Progress report</p> <p>Workshop attendance list and agenda</p>	<p>Businesses are interested in participating in events, consultants are interested in being trained, and there are professionals who can provide training.</p>
<p>3. Implement the model</p> <p>Objective</p> <p>To introduce governance tools and protocols into family businesses.</p>	<p>32 months into execution:</p> <p>Implementation agreements are formalized with 170 family SMEs and the implementation process, using the model, has begun.</p> <p>By project end:</p> <p>3.1 Governance structures are instituted and family protocols drafted based on the model at 150 family SMEs.</p>	<p>3.1 Consultants’ reports and progress reports</p> <p>3.2 Final project evaluation</p>	<p>The participants remain interested in, and committed to, adopting the model.</p> <p>The consultants remain interested in, and committed to, implementing the model.</p>

Narrative summary of objectives	Indicators	Means of verification	Assumptions
	3.2 Of the 150 beneficiary SMEs, at least 70% have reported benefits to their business (higher sales, access to credit, etc).		
<p>4. Dissemination of experiences</p> <p>Objective</p> <p>To make public the model generated and the lessons learned.</p>	<p>By project end:</p> <p>4.1 ULSA has added specific continuing education programs on management of family businesses.</p> <p>4.2 Three national project dissemination seminars and one international seminar have been held, including presentations of success stories among businesses benefiting from the project.</p> <p>4.3 A book has been published presenting the project's success stories and documenting the professionalization model developed to help family businesses.</p>	<p>4.1 Progress report and midterm evaluation</p> <p>4.2 Participant list, agenda, website queries, and originals of printed material</p> <p>4.3 Progress report and the executing agency's final report</p>	<p>Financial institutions, investors, and the pertinent public authorities are interested in learning about the self-regulation model developed by the program.</p>
Activities			
<p>Component 1</p> <p>1.1 Technical assistance in developing a typology of the problems facing businesses and designing the model.</p> <p>1.1.1 Technical assistance in developing a conceptual framework to identify the problems faced by family businesses, grouping them into different categories.</p>	<p>By month 12, the categories have been developed with their respective characteristics.</p>	<p>Consultant report</p>	

Narrative summary of objectives	Indicators	Means of verification	Assumptions
<p>1.1.2 Survey of family businesses, classified by type.</p> <p>1.1.3 Comparative analysis of existing models with respect to governance structures and family protocols.</p> <p>1.1.4 Technical assistance in designing a professionalization model that enables governance structures and family protocols to be instituted at a level appropriate to the business type identified.</p>	<p>By month 7, 750 family SMEs have been surveyed.</p> <p>By month 7, the consultant report is available.</p> <p>By month 12, there is a specific professionalization model for each of the business types.</p>	<p>Survey records</p> <p>Consultant report</p>	
<p>Component 2</p> <p>2.1 Project launch and awareness-building seminars for family businesses to learn about family protocols and governance issues and their impact.</p> <p>2.2 Identification of family SMEs that meet eligibility criteria.</p> <p>2.3 Design of curriculum and materials for training consultants on the model.</p> <p>2.4 Workshop to train consultants on the professionalization model for implementation of family protocols and governance structures.</p>	<p>By month 6, 3 project launch seminars have been held (one in each state); by month 18, 3 awareness-building seminars are held among the three states, 6 by month 20, and 8 by month 24, reaching at least 1,400 entrepreneurs (700 family businesses).</p> <p>By month 20, at least 200 family SMEs are identified.</p> <p>By month 14, materials are designed and printed.</p> <p>By month 15 and 20, at least 5 training workshops are held among the three states, reaching at least 100 consultants. At least 20 consultants are “certified” by the project.</p>	<p>Participant list, agenda</p> <p>Letter of intent</p> <p>Course and printed material</p> <p>Participant list, agenda, materials Consultant directory Participant list, agenda, materials</p>	

Narrative summary of objectives	Indicators	Means of verification	Assumptions
2.5 Design and updating of the website.	Website developed by month 6.	Website and statistical verification mechanisms	
Component 3 3.1 Technical assistance in preparing the manual for implementation of the family protocol and governance structures model for the professionalization of family SMEs. 3.2 Technical assistance in implementing the family protocol and governance structures model for the professionalization of family SMEs. 3.3 Setting of the baseline.	By month 18, the manual for implementing the specific model for each business type is ready. By months 26 and 32, cooperation agreements are formalized with 110 and 60 family SMEs, respectively. By month 42, the model is implemented in at least 150 family businesses. By months 26 and 32, baseline reports are done.	Implementation manual Presentation of cooperation agreements with each of the family SMEs Survey of each family SME's satisfaction with the project	
Component 4 4.1 Addition of the subject of family SMEs to ULSA's continuing education curriculum. 4.2 Technical assistance in preparing a publication on project success stories. 4.3 Seminars to disseminate preliminary outcomes and lessons learned from the project.	By month 24, the programs are reflected in ULSA's curriculum. By month 42, the publication has been printed and distributed. By month 36, 3 seminars have been held to disseminate outcomes (one in each state).	Explicit reference to ULSA's academic offerings in the dissemination material Publication Participant list and agenda	

Narrative summary of objectives		Indicators	Means of verification	Assumptions
4.4	International seminar to disseminate final project outcomes.	By month 40, the dissemination materials and content of a seminar held in Mexico City with international invitees are ready.	Printed materials Participant list and speakers' presentations	
4.5	Closing workshop.			

BUDGET SUMMARY

Item	MIF US\$	Local Counterpart US\$	Total US\$
Coordination and logistics	192,000	253,716	445,716
Coordination			
Staff	192,000	149,400	341,400
Project coordinator	192,000	0	192,000
Assistant coordinator		86,400	86,400
Accountant (half time)	0	37,800	37,800
Secretary		25,200	25,200
Logistics	0	104,316	104,316
Office space (US\$1,800/month)	0	86,400	86,400
Supplies (US\$100/month x 42 months)	0	4,200	4,200
Communications (US\$200/month)	0	9,600	9,600
Local travel to two states (1 trip x 42 months)	0	1,890	1,890
Per diem and lodging in Puebla (3 meals and 1 night hotel stay/trip)	0	2,226	2,226
Component 1	39,200	14,700	53,900
1.1 Technical assistance in developing a conceptual framework and typologies	12,000	0	12,000
1.2 Survey of family businesses, classified by type	4,000	7,500	11,500
1.3 Comparative analysis of existing models	7,200	2,400	9,600
1.4 Technical assistance in designing the model	16,000	4,800	20,800
Component 2	82,600	122,850	205,450
2.1 Project launch and awareness-building seminars for family businesses	10,200	69,850	80,050
2.2 Identification of eligible family-owned SMEs	20,400	20,400	40,800
2.3 Design of curriculum and materials for training consultants on the model	12,000	0	12,000
2.4 Workshop to train consultants	40,000	20,000	60,000
2.5 Website	0	12,600	12,600
Component 3	535,000	565,800	1,100,800
3.1 Technical assistance in preparing the implementation manual	16,000	4,800	20,800
3.2 Technical assistance in implementing the model	519,000	561,000	1,080,000
Component 4	5,212	38,430	43,642
4.1 Technical assistance for adding the subject of family SMEs to the continuing education curriculum	0	3,000	3,000
4.2 Technical assistance in preparing a publication on governance and protocols for family businesses	0	22,500	22,500
4.3 Seminars to disseminate preliminary outcomes and lessons learned from the project	3,212	5,880	9,092
4.4 Technical assistance in designing the international seminar	2,000	7,050	9,050
Subtotal	854,012	995,496	1,849,508
Contingencies 3%	25,620		25,620

Item	MIF US\$	Local Counterpart US\$	Total US\$
Baseline, M&E system, and 2 evaluations	70,000		70,000
Audits (4)	40,000		40,000

Total	989,632	995,496	1,985,128
Coordination activities	15,000		15,000
Grand total	1,004,632	995,496	2,000,128
Percentages (excluding coordination activities)	50%	50%	100%

SIMILAR AND RELATED PROJECTS

PILOT PROGRAM FOR DEVELOPMENT AND IMPLEMENTATION OF FAMILY PROTOCOLS FOR SMEs (ME-M1031)

A. Cluster projects

N/A.

B. Similar or related MIF projects

Argentina: Survival and Competitiveness of Family Businesses in Argentina's Central Region (AR-M1020).

C. Similar or related Bank projects

None.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK
MULTILATERAL INVESTMENT FUND

PROPOSED RESOLUTION MIF/DE-___/___

Mexico. Nonreimbursable Technical Cooperation ATN/___-___-ME for a Pilot
Program for the Development and Implementation of a Family
Protocol in SMEs

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 Bank, as Administrator of the Multilateral Investment Fund, to enter into such agreements as may be necessary with Universidad La Salle (ULSA), 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 a pilot program for the development and implementation of a family protocol in SMEs.

2. That up to the amount of US\$1,004,632, or its equivalent in other convertible currencies, shall be authorized for the purpose of this resolution, chargeable to the resources of the Small Enterprise Development Facility of the Multilateral Investment Fund.

3. That the above-mentioned sum is to be provided on a nonreimbursable basis.

(Adopted on __ _____ 200_)

LEG/OPR/RGII/IDBDOCS#892127
ME-M1031