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MULTILATERAL INVESTMENT FUND

COLOMBIA

**SME PARTICIPATION IN PROCUREMENT
BY STATE-OWNED ENTERPRISES**

(TC-03-05-01-5-CO)

DONORS MEMORANDUM

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Annex II	Detailed budget
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INFORMATION AVAILABLE IN THE TECHNICAL ARCHIVES OF THE MIF

Preparation

- Approved project profile
- Project approved by FOMIPYME
- Draft Operating Regulations
- Institutional Analysis of the Executing Agency
- Report of the IDB/MIF Mission

Execution

- Project Performance Monitoring Report (PPMR)

ABBREVIATIONS

ACIEM	Asociación Colombiana de Ingenieros [Colombian Association of Engineers]
AWP	Annual work plan
CS	Consulting services
DNP	National Planning Department
ETB. S.A. E.S.P.	Empresa de Telecomunicaciones de Bogotá S.A.
FOMIPYME	Fondo Colombiano para la Modernización y Desarrollo de las Micro, Pequeñas y Medianas Empresas [Colombian Fund for the Modernization and Development of Microenterprises and Small and Medium-sized Enterprises]
FONADE	Fondo Financiero de Proyectos de Desarrollo [Fund for Development Projects]
GDP	Gross domestic product
IDB	Inter-American Development Bank
ISA	Interconexión Eléctrica S.A.
MINCYT	Ministry of Industry, Commerce, and Tourism
OECD	Organization for Economic Cooperation and Development
ORs	Operating Regulations
PEU	Project executing unit
PPMR	Project Performance Monitoring Report
SDP	Supplier development program
SMEs	Small and medium-sized enterprises
SOE	Majority State-owned enterprise
TOR	Terms of reference
WTO	World Trade Organization

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EXECUTIVE SUMMARY

Executing agency:	Colombian Association of Engineers (ACIEM)	
Beneficiaries:	The project will benefit formally registered small and medium-sized enterprises (SMEs) operating in sectors with opportunities for doing business with majority State-owned enterprises (SOEs) in Colombia. It will benefit 750 SMEs through the first component and 100 SMEs through the second.	
Financing:	Modality:	Nonreimbursable
	MIF Facility III-A:	US\$ 720,000 (59%)
	Local counterpart:	<u>US\$ 495,800 (41%)</u>
	Total:	US\$1,215,800 (100%)
Execution timetable:	Execution: 36 months Disbursement: 42 months	
Project objectives:	The general objective of the project is to help boost the competitiveness of SMEs in supplying goods and services to Colombian SOEs interested in the development of these suppliers. The specific objective is to implement a pilot model to build up small and medium-sized suppliers (SME suppliers) to five SOEs, preferably in the energy and telecommunications sectors.	
Description:	The project has three components. The first involves establishing a mechanism to centralize and disseminate information on business opportunities with SOEs, SOE procurement requirements and procedures, and good practices for the development of SME suppliers to SOEs. The second component involves establishing programs for the development of SME suppliers to five SOEs. The third component aims to disseminate information about the project and to institutionalize it.	
Special contractual clauses:	As a condition precedent to the first disbursement, ACIEM will present, to the satisfaction of the Bank, evidence that: (i) the project coordinator has been selected in accordance with Bank procedures; (ii) the board of directors has been constituted; (iii) the board of	

directors has approved the project's Operating Regulations; and (iv) the annual work plan is in place for the first year of the project. In addition, project disbursements will be tied to fulfillment of intermediate outcomes, as explained in paragraph 4.10.

**Exceptions to
Bank policy:**

None

**Environmental
and social
review:**

The Committee on Environment and Social Impact (CESI) reviewed and approved the project abstract at its 12 March 2004 meeting.

**Coordination
with other
donors:**

N/A

I. BACKGROUND AND RATIONALE

A. Background

- 1.1 **Government procurement and SMEs in Colombia.** In most countries, government procurement is the market sector with the greatest economic impact and one of the principal sources of business for small and medium-sized enterprises (SMEs).¹ WTO and OECD estimates indicate that government procurement in different countries accounts for between 10% and 20% of GDP, and represents more than 20% of total purchases of tradable goods. The figures for Colombia fall within these parameters. According to the National Planning Department (DNP), on average government procurement represented 16% of GDP between 1992-1999 and 11% in 2000-2001 (approximately US\$9 billion).
- 1.2 Majority State-owned enterprises² (SOEs) account for a significant portion of government procurement in Colombia. There are currently 89 enterprises of this type, including Empresas Públicas de Medellín (EE.PP.M.); Empresa de Telecomunicaciones de Bogotá S.A. (ETB S.A. E.S.P.); Interconexión Eléctrica S.A. (ISA); Colombia Telecomunicaciones; Isagén; Colombia Móvil; and ECOGAS. These enterprises, with sales ranging from US\$250 million to US\$1 billion annually and purchases ranging from US\$60 million to US\$450 million annually, have shown interest in cooperating with this project in order to streamline SME access to SOE procurement processes.
- 1.3 According to estimates by the Colombian Federation of Chambers of Commerce (CONFECAMARAS) and the National Economic and Social Development Foundation (FUNDES), there are about 48,000 SMEs in Colombia. Together, SMEs and microenterprises generate 63% of employment and 53% of the gross product.³ In contrast with this economic weight, SME participation in SOE procurement is marginal. It is estimated that only 15% of SOE procurement is from SMEs. This figure falls below that for other countries with similar characteristics in the region that have had successful experiences. For example, in Chile the SME share of the government procurement market is 60%.

¹ According to Law 905 of 2004, Colombian micro, small, and medium-sized enterprises are understood to include any economic unit by means of which a natural or juridical person engages in rural or urban entrepreneurial, agricultural, industrial, commercial, or service activities, that meets the following parameters: 1. medium-sized enterprise: a) 51 to 200 workers; b) total assets between 5,001 and 30,000 current legal monthly salaries; 2. small enterprise: a) between 11 and 50 workers; b) total assets between 501 and 5,001 current legal monthly salaries; 3. microenterprise: a) fewer than 10 workers; b) total assets of fewer than 501 current legal monthly salaries.

² In the last two years the share structure of State-owned enterprises in Colombia has changed. The industrial and commercial government enterprises were turned into corporations, while remaining State-owned.

³ Estimate by the Ministry of Industry, Commerce, and Tourism (MINCYT).

- 1.4 **Barriers to greater SME participation in SOE procurement.** This project focuses on SOE procurement. It does not consider purchases by the central government or by regional or municipal authorities. According to interviews with SOE, SME, and government representatives, there are four barriers to greater participation by SMEs in SOE procurement, which are described below.
- 1.5 **Lack of transparency and information.** It is difficult for SMEs to access information on SOE procurement procedures and business opportunities. There are several reasons for this: (i) procedures for contracting and registration of suppliers are not transparent. SOEs frequently do not report the evaluation criteria for small and medium-sized procurement activities, and when considering these criteria they implicitly disqualify SMEs; (ii) information on business opportunities is not released by the SOEs; generally, invitations to bid on larger purchases are announced, but this is not the case for other purchases which might present opportunities for SMEs; and (iii) there is no centralized source of information on business procedures and opportunities, resulting in high transaction costs for SMEs interested in selling to SOEs.
- 1.6 **Lack of experience and distrust in the SOEs.** SOEs distrust the ability of SMEs to meet contracting requirements. Thus they stipulate conditions of quality and experience that prevent SMEs from gaining places on supplier registries. In addition, SOEs have little experience working with SME suppliers. For example, only one of seven SOEs interviewed during the preparation of this project had a program to develop SME suppliers, and almost none of those responsible for procurement in these SOEs are trained in modern procurement practices. These factors are also obstacles to the access of SMEs to SOEs.
- 1.7 **High transaction costs for the State-owned enterprises.** Procurement by SOEs is generally on a large scale, making it difficult for SMEs to fill such orders since they rarely build partnerships. At the same time, the SOEs are reluctant to unbundled procurement activities because having to work with a greater number of suppliers would entail higher costs. For example, only one of the seven SOEs interviewed had experience unbundling any of its purchases.
- 1.8 **Low technological and financial capacity of SMEs.** Demands for quality, technical guarantees, and financial soundness limit the participation of SMEs in SOE procurement. For example, the enterprise ISA requires ISO 9000 certification for 95% of the goods and services it purchases. With regard to financing, none of the SOEs interviewed make advance payments to their suppliers. In general, the terms of payment are 45 days. In the area of guarantees, there is a clear preference on the part of the SOEs to work with large or multinational suppliers, since these are more able to address any problem with the product or service contracted. Yet, SMEs frequently end up providing the service while the large or multinational enterprise acts as an intermediary.

- 1.9 To address the problems mentioned above, the Colombian Association of Engineers (ACIEM) will implement a pilot project for supplier development. This institution has several strengths. First, various institutional evaluations of ACIEM confirmed that the organization has the capacity to administer the project.⁴ Second, ACIEM has experience with a project that is complementary to the one proposed herein: since 1997 it has been part of the Colombian Subcontracting Network.⁵ Third, ACIEM has the capacity to mobilize the SOEs and get them to commit to the project and it has a very complete network of support professionals, guaranteeing successful implementation of the project.

B. Project rationale

- 1.10 This project is justified by the following: (i) SOE procurement is an important source of new business and growth for SMEs in Colombia; (ii) commercial relations between SOEs and SMEs can be an efficient mechanism for technology transfer and increased productivity. For example, the Empresa Colombiana de Petróleos (ECOPETROL) developed a pilot project to involve SMEs in the manufacture of goods and parts. This project, executed between 1998 and 2002, paved the way to new business, increased employment, and improved technology at SMEs and also benefited ECOPETROL, lowering costs and improving efficiency by decreasing restocking time; (iii) the SOEs are interested in developing SME suppliers. To date, five SOEs have committed themselves in writing to this project: Colombia Telecomunicaciones; ISAGEN; ISA; ECOGAS; and Colombia Móvil; and (iv) although there is an international record of successful experiences with supplier development programs (SDPs), there is no project in Colombia like the one proposed in this document; thus the possibilities for innovation and replication are very great.

C. Strategy of the Bank and of the MIF

- 1.11 The objective of the project is consistent with the Bank's country strategy with Colombia (August 2003), which seeks to strengthen the competitive supply of goods and services in order to help revive and energize the economy. Lessons learned from a MIF project with very similar characteristics in Costa Rica have been incorporated into the project design, as have recommendations made in studies prepared by the Micro, Small and Medium Enterprise Division of the Sustainable Development Department (SDS/MSM): (i) to base project work on the needs of the large enterprises; (ii) to strengthen avenues for coordination between large enterprises and SMEs; (iii) to contribute to the development of a diversified range of technical assistance for supplier development; and (iv) to establish a monitoring

⁴ The National Fund for Development Projects (FONADE) delivered an evaluation of ACIEM to MINCYT in December 2003 and the IDB mission evaluated the organization in May 2004.

⁵ The goal of the Colombian Subcontracting Network is to promote, through subcontracting centers, links between the supply of and demand for goods and services of supply chains.

and evaluation system from the beginning of the project. In addition, the project will be complemented by other initiatives in Colombia financed by the Bank, as described in Annex III.

II. OBJECTIVES AND DESCRIPTION OF THE PROJECT

A. Objectives

- 2.1 The general objective of the project is to contribute to the growth of SME competitiveness in the provision of goods and services to Colombian SOEs interested in the development of these suppliers. The specific objective is to implement a pilot model to build up SME suppliers to five SOEs, preferably in the energy and telecommunications sectors.

B. Project description and components

- 2.2 The project will offer information and technical assistance to SOEs for the financially viable development of SME suppliers and for the introduction of policies and practices to facilitate the access of these suppliers to SOE procurement. In addition, the project will deliver information to SMEs about business opportunities, about the requirements necessary for them to become suppliers, and about technical assistance to improve their productive and management capacities.
- 2.3 The pilot will have four priorities: (i) to concentrate efforts on a limited group of SOEs in the energy and telecommunications sectors, because these enterprises have a high procurement volume, a greater commitment to the project, and the potential to generate high value added business for the SMEs; (ii) to focus on the procurement units of SOEs for training and awareness-building activities, since it is from within these units that business opportunities for SMEs are generated; (iii) to develop supplier SMEs with track records and growth potential in the areas for which demand exists among SOEs and with the management resources to implement the improvements required by SOEs; and (iv) to disburse funds to the project executing unit (PEU) based on performance.
- 2.4 The project will finance training, technical assistance, and skills and materials development activities that will enable the PEU to deliver or coordinate services for supplier development. The project has three components:
- 1. Component 1: The dissemination of information and best practices for the development of SME suppliers to SOEs (MIF: US\$144,200; counterpart: US\$156,000).**
- 2.5 The purpose of this component is to create a mechanism to centralize and disseminate information about business opportunities, requirements and procedures in SOE procurement, and best practices for the development of SME suppliers to

SOEs. This component seeks to increase the transparency and availability of information about SOE procurement and to assist SOEs with procurement practices that reduce transaction costs associated with working with SMEs. The mechanism developed through this component is expected to become a permanent feature through a new ACIEM business center to serve the needs of SOEs and SMEs in the area of supplier development.

- 2.6 The following activities are included in this component: (i) a thorough diagnosis of the obstacles to and opportunities for the development of new business between SMEs and SOEs; (ii) visits to and studies of at least two successful international experiences in supplier development; (iii) the production of the following outputs based on the two activities described above: a document that provides SOEs with guidelines on how to work with SMEs; a document describing the requirements and procedures that should be followed by SMEs in order to become suppliers to SOEs; didactic materials for courses and seminars on supplier development; a software program to register and disseminate business opportunities generated by SOEs; (iv) the development of a web page to disseminate these documents and business opportunities and of courses and seminars for SMEs and SOEs. ACIEM will design a pricing mechanism for SMEs and SOEs to recover the costs of maintaining the web page and organizing the courses and seminars. The dissemination activities will be the responsibility of two consultants who will interact with the SMEs and the SOEs for 24 months and of instructors trained by the project; and (v) annual awards for the SOEs with the best SME supplier contracting and development practices and for the SMEs that stand out as suppliers for SOEs.
- 2.7 The following results are expected at the end of this component: (i) 200 business opportunities with SOEs are published on the web page; (ii) 90% of the business opportunities with SOEs published on the Internet receive a response from at least one SME; (iii) 750 SMEs have the necessary knowledge and skills regarding procurement procedures to pursue business opportunities with SOEs; (iv) 10 SOEs have amended their evaluation criteria for suppliers in ways that facilitate greater SME participation; (v) 30 SMEs that have received information or participated in seminars, courses, or fairs have increased their sales to SOEs; and (vi) 75% of the SME and SOE beneficiaries express high levels of satisfaction with the services received.

2. Component 2: Implementation of supplier development programs – SDPs (MIF: US\$304,500; counterpart: US\$188,000).

- 2.8 The purpose of this component is to implement SDPs in five SOEs. These SDPs will enable SOEs to boost the confidence of SME suppliers and gain experience working with them, while the SMEs improve their productive and management capacities and develop strategic partnerships. The SOEs will provide strong leadership for the SDPs. The SDPs will conform to a general model, but will incorporate specific activities as needed. Each SDP will include a diagnostic

assessment and a plan of action for SOEs and SMEs and implementation of the improvements stipulated in the plan.

- 2.9 The following activities are included in this component: (i) the design of a model SDP based on successful local and international experiences. The model SDP will specify at least the following: its own duration, the number of participating SMEs and their profiles, the scope and methodology of the diagnostic assessment and plan of action, the specific areas of intervention within the SME, the scope of the work within the SOEs, the formats of all agreements to be established among the SOEs, the SMEs, the local agencies providing assistance, the external consultants, and the PEU; and the mechanisms for payment against results; (ii) the development of a specialized software program to support the implementation of the model SDP; (iii) the selection of independent consultants and their training to apply the model SDP; (iv) the identification of five SOEs prepared to head up and cofinance the implementation of an SDP; (v) support for five SOEs to visit large enterprises in other countries with good practices in SME supplier development; (vi) competition and selection of 100 SMEs based on predefined criteria (see paragraph 6.2). Partial financing will be provided for a diagnostic assessment of the SMEs and for the development and implementation of a plan to improve the technical and management capacities required by SOEs; and (vii) the design and implementation of mechanisms to build partnerships among the SMEs when required to fulfill the procurement needs of SOEs.
- 2.10 The following outcomes are expected from this component: (i) five SOEs will implement plans for the development of SME suppliers; (ii) 100 SMEs will be assisted through business development services financed by the project; (iii) 30% of the SMEs assisted by the project will increase total sales by 10% as a result of SOE purchases; and (iv) 75% of the project's SME and SOE beneficiaries will report high levels of satisfaction with the services received. In addition, the SOEs implementing SDPs are expected to cut costs and/or improve efficiency in their productive processes and assisted SMEs will improve their products or processes technologically.

3. Component 3: Dissemination of the model and institutionalization of the project (MIF: US\$56,000; counterpart: US\$24,000)

- 2.11 The objective of this component is to disseminate the project model and provide institutional strengthening for the PEU. The following activities are included: (i) document the experiences and lessons learned through the project; (ii) organize events and seminars to disseminate the project and implement the communications strategy; (iii) formulate a business model to institutionalize and sustain the activities envisaged in component 1; (iv) assist ACIEM to certify the quality of its processes under ISO 9000; and (v) design and implement a management system.

- 2.12 As an outcome of this component, it is expected that information on the project and on its results will be systematized and published on paper and on the Internet, and will be communicated to relevant policymakers, to SOE officials, and to organizations that provide support to SMEs in Colombia. By the third year the web page should receive a minimum of 2,000 unique visitors per month. In addition, at least 1,000 SMEs will have received specialized information on the project and its outcomes. Lastly, when project financing ends, ACIEM is expected to be ISO 9000 certified and the activities of the project's first component will be assured of continuity through the establishment of a new business center within ACIEM.

III. COST AND FINANCING

- 3.1 The project will cost US\$1,215,800, of which the MIF will contribute US\$720,000 in nonreimbursable funding. The remaining US\$495,800 will be contributed by FOMIPYME (US\$389,900 in cash) and the executing agency (US\$105,900 in kind). The MIF resources will be used to cover specialized consulting costs, seminars, courses, and technical assistance to SMEs. The local counterpart will partially finance the project coordinator, other PEU expenditures (administrative-financial support, office expenses, and travel expenses and per diem) and specialized consulting costs. The sources of financing for each activity are specified in Annex II.

Table 1 - General Budget				
	MIF	Counterpart	Total	%
1. Component I. Dissemination of information and good practices for the development of SME suppliers to SOE	144,200	156,000	300,200	0.25
2. Component II. Implementation suppliers development programs	304,000	188,000	482,000	0.40
3. Component III. Dissemination of the model and institutionalization of the project	56,000	24,000	80,000	0.07
4. Executing unit	168,800	127,800	296,600	0.24
5. Evaluation, monitoring, and auditing	19,000	0	19,000	0.02
6. Contingencies	28,000	0	28,000	0.02
Total	720,000	495,800	1,215,800	1.00
%	59	41	100	

- 3.2 The **sustainability of the project** will be evaluated on two levels. The first level refers to continuity of the information dissemination activities contemplated in the first component, to be achieved based on the following factors: (i) the commitment of ACIEM and its supporting entities to establish a permanent business center; (ii) investments in materials and methodologies development and in human resource training will be financed through the project, so its continuity will be

dependent on the financing of operating expenses; (iii) the focus of the project is on the development of services to generate business and guarantee customer satisfaction, which will help ACIEM charge for services provided to the enterprises; and (iv) based on the experience gained and the accomplishments of the project, ACIEM will be able to extend information services to previously unserved sectors, and even to large private enterprises interested in the development of SME suppliers. The second level of sustainability refers to the new business generated between SOEs and SMEs, the continuity of which will be promoted by the SOEs' increased experience, efficiency, and confidence in working with SMEs, and by the SMEs' increased knowledge of the requirements and procedures of SOEs and the technological improvements they achieve through SDPs.

IV. EXECUTING AGENCY AND MEANS OF EXECUTION

- 4.1 **Executing agency.** The Colombian Association of Engineers (ACIEM) is one of Colombia's two largest organizations of engineers. Its institutional mission is to work for the professional and scientific development of its member engineers and of the country, acting as the national government's technical consultative body in the areas in which it specializes (Law 51/86). It has 7,673 affiliated engineers throughout the country, of whom 50% are partners in SMEs. ACIEM has existed for 47 years and has 22 branches in Colombia's principal cities. It has 23 employees in its national headquarters, of whom 14 are professionals. In 2000-2002, ACIEM had an average income of US\$490,000.
- 4.2 ACIEM engages in extensive research, consulting, and education activities and organizes events on energy, telecommunications, the machine-tool industry, industrial maintenance, electronics, and the environment. It has conducted several studies with nationwide impact and has assisted in the drafting of laws and regulatory policies. It has also conducted joint projects with academic institutions, government, and industry.
- 4.3 **Execution mechanism.** Project execution will be structured under two bodies, a board of directors and a project executing unit (PEU). The functions and responsibilities of each are described in the Operating Regulations (ORs).
- 4.4 The board of directors will be made up of seven members: a representative of ACIEM, a representative of FOMIPYME, three SOE representatives, and two representatives of SME associations. The project coordinator will serve as board secretary. The functions of the board will be: (i) to approve the project's work plans and any modifications thereto; (ii) to supervise project execution, proposing improvements or corrective measures if required, and to review the statements of accounts; (iii) to appoint and remove PEU personnel and to approve or reject the results of their work; (iv) to collaborate in the establishment of partnerships for the implementation of the project with other institutions and with other SME support

programs; and (v) to review and approve performance reports to be delivered to the IDB-MIF. The board will meet bimonthly and its formation will be a condition precedent to the first disbursement.

- 4.5 The PEU will be made up of a project coordinator, a technical assistant, and an administrative/accounting assistant. Its responsibilities will include: (i) preparing and executing annual work plans (AWPs); (ii) preparing terms of reference and concluding contracts for goods, services, and consultants, and supervising them; (iii) processing disbursement requests; (iv) presenting statements of accounts and reports to the project's board of directors for forwarding to the Bank; (v) collecting and processing information on project activities and outcomes; (vi) monitoring the performance indicators established in the logical framework; and (vii) participating actively in the design and implementation of all services to be provided to SOEs and SMEs. The members of the PEU will be chosen by ACIEM and confirmed by the board of directors according to criteria established by the Bank. The selection of the project coordinator will be a condition precedent to the first disbursement.
- 4.6 The project execution sequence will be as follows: **Component 1** will begin in the first month of the project and will be organized in three phases. The first phase will include the design of a mechanism for the dissemination of information and good practices; the second will cover the development of content and methodologies to inform and guide the SOEs and SMEs and the development of a software program and a web page to process and manage business opportunities; and the third will be the dissemination of information. **Component 2** will begin in the ninth month of the project and will also be executed in three consecutive phases. The first phase will include the design and testing of a model SDP. The second will entail the selection of a network of consultants and their training in the use of the model SDP. The third will involve the implementation of the SDPs. To this end, the PEU will select SOEs and SMEs to participate in each SDP and will coordinate and cofinance the consultants who will perform the diagnostic assessments, formulate plans of action, and provide specialized assistance to the SMEs. Lastly, **Component 3** will begin in the middle of the first year with an event to formally launch the project.
- 4.7 The project will finance each SME participating in an SDP on a one-time basis as follows: (i) up to US\$2,000 to perform the diagnostic assessment and formulate the plan of action in each SME, as long as this amount does not exceed 80% of the total cost; (ii) up to US\$4,000 per SME for specific consulting services provided for in the plans of action, as long as this amount does not exceed 60% of the total cost; and (iii) up to US\$4,000 to develop strategic partnerships and cooperative projects for groups of up to 10 SMEs. This financing will be subject to the achievement of results by the consultants. These amounts may be revised based on the design of the model SDP.

- 4.8 **Project readiness.** The project is at an advanced state of preparation. FOMIPYME has already approved counterpart funds for the project. The objectives and the strategy of the project have been agreed upon. Five SOEs have made written commitments to the project.
- 4.9 **Execution and disbursement timetable.** The project will be executed in 36 months and the disbursement of resources will take place over a period of 42 months. In keeping with estimated needs for project execution, a revolving fund will be established equivalent to up to 10% of the MIF contribution. This fund will be managed in an independent account and will provide for the timely availability of funds to execute the various activities anticipated.
- 4.10 The continuity of project disbursements will be subject to PEU performance in three areas: (i) the PEU will not receive more than 10% of MIF resources until it provides evidence that the design of the information mechanism envisaged in component 1 has been completed; (ii) the PEU will not receive more than 30% of MIF resources until it provides evidence of: the availability of the documents, software, web page, and trained human resources that will be part of the information mechanism envisaged in component 1; the availability of a document with the design of the model SDP envisaged in component 2; and the event to launch the project envisaged in component 2; and (iii) the PEU will not receive more than 60% of MIF resources until it provides evidence that 100 business opportunities have been posted on the project's web page; 250 SMEs are participating in the courses and seminars envisaged in component 1; five SOEs have amended their supplier evaluation criteria in ways that facilitate greater participation by SMEs; and five SOEs and 60 SMEs are participating in SDPs envisaged in component 2. Evidence that outcomes have been achieved will be presented by the PEU to the Bank in semiannual reports.
- 4.11 **Procurement and contracting.** ACIEM will undertake the procurement of goods and services and contracting of the consultants necessary for execution of the project, in accordance with the relevant procedures and policies of the Bank and the MIF.

V. MONITORING AND EVALUATION

- 5.1 **Monitoring.** A project management system will be established and semiannual performance reports will be issued for project monitoring. The management system, envisaged in component 3, will collect digital information on project activities (including its beginning and end dates and its costs) and on the SMEs, the SOEs, and the consultants involved in each activity. The management system will also include basic data and economic information on each SME at the moment when it receives its first services from the project. The semiannual reports will be produced by the PEU and will be presented to the Bank thirty (30) days after the end of the

six-month period, after being approved by the board of directors. The performance report will also serve as a final project report and will be delivered sixty (60) days after the final disbursement. These reports will conform to a format previously agreed upon with the Bank and will describe the progress of project activities and the outcomes set out in paragraph 4.10 and in the logical framework, the obstacles encountered during execution, and financial performance. In addition, the project's annual work plan will be delivered before the first disbursement and at the end of each year.

- 5.2 **Evaluations.** During the course of the project, two evaluations will be conducted by an external consultant selected and contracted directly by the Bank and specializing in supplier development. During the first year of the project and in conjunction with project design activities, the PEU will be expected to identify and provide detailed baseline data to be used in these evaluations. Baseline data will include information on a minimum of five SOEs, and will provide details on at least: (i) the participation of SMEs in relation to the total number of suppliers and to total annual purchases; and (ii) the presence or absence of supplier evaluation policies, practices, and criteria that favor SME participation. The indicators in the logical framework may be revised, depending on the baseline data.
- 5.3 Once the first disbursement is approved, the first evaluation will be commissioned, so that the consultant can participate in establishing the management system and defining the baseline. The first evaluation will be conducted 18 months after the first disbursement or when 35% of MIF resources have been disbursed. Its objectives will be: (i) to verify the quality of outputs and methodologies designed by the PEU; (ii) to evaluate the sustainability of the proposed business model; (iii) to analyze the institutional and management capacity of the executing agency and other institutions involved; and (iv) to propose necessary corrective actions to guarantee the proper execution and evaluation of the program. The evaluation will analyze compliance with the ORs and with the indicators established in the logical framework.
- 5.4 The final evaluation will be performed when 95% of Bank resources have been disbursed and will analyze: (i) the level of fulfillment of the purposes, objectives, and targets of the project; (ii) user satisfaction, measured through a survey of beneficiaries; (iii) the level of sustainability of the platform and its services; and (iv) compliance with the AWP and the ORs and budget performance. This evaluation will be based on the logical framework, the baseline data, management and performance reports, the management system of the PEU, and on interviews and case analyses.

VI. BENEFITS AND RISKS OF THE PROJECT

- 6.1 **Beneficiaries.** The project will benefit SMEs and SOEs. The first component will benefit 750 SMEs through information, seminars, and courses. The second component will benefit 100 SMEs through technical assistance.
- 6.2 **Eligibility criteria.** To get access to the courses and seminars of component 1, SMEs must demonstrate that they are formally registered and that they have the potential to address the procurement needs of the SOEs. Participation in SDPs will be subject to compliance with the following requirements. SMEs must: (i) qualify as an SME in accordance with Law 905 of 2004; (ii) be registered with the Chamber of Commerce; (iii) have a record of sales at least one year long in the category of business opportunities generated by SOEs; (iv) have less than 30% of total sales directed to SOEs; and (v) demonstrate the necessary managerial capacity and commitment to successfully promote and cofinance SDP activities. SOEs must: (i) have majority ownership in government control; (ii) commit 75% of the time of one employee to leading the SDP; (iii) be prepared to change supplier evaluation criteria to facilitate greater participation by SMEs in their purchases; and (iv) commit to financing and providing technical assistance to SMEs in keeping with SDP requirements.
- 6.3 **Risks.** The project entails four types of risks: (i) that SOEs will not sustain their support for the project. To address this risk, public commitments will be sought from the SOEs as well as vis-à-vis government authorities, along with the establishment of agreements on results with respect to the commitment to report business opportunities and to establish SDPs; (ii) noncompliance by SMEs. To address this risk, the selection of potential SMEs to participate in SDPs will be rigorous; (iii) financing of SDP activities by the SMEs. A model will be sought in which SOEs will contribute financial and human resources to facilitate the execution of activities by the SMEs. In addition, a results-based payment scheme will be established for consultants involved in the SDPs; and (iv) lobbying by large enterprises displaced by SMEs. This can be countered with public recognition by ACIEM and by political authorities of SOEs participating in the SDPs and with dissemination of data on the positive results and impacts of SME contracting on employment and economic growth.

VII. SOCIAL AND ENVIRONMENTAL ASPECTS

- 7.1 The project does not present major social or environmental risks of a specific nature. On the contrary, it could have a positive effect on the environment, social issues, health, and occupational safety through the assistance provided by the project to beneficiary enterprises, which will be required to comply with national social and environmental regulations.

ANNEX I: LOGICAL FRAMEWORK
SME PARTICIPATION IN PROCUREMENT BY STATE-OWNED ENTERPRISES

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
GOAL			
To contribute to increasing the competitiveness of SMEs in supplying goods and services to majority State-owned enterprises (SOEs) in Colombia that are interested in the development of these suppliers.	<ul style="list-style-type: none"> Increased number of SMEs that sell goods and services to SOEs participating in the project. Increased SME share of procurement by participating SOEs <p>(The baseline and expected increases in these indicators will be established at the beginning of the project.)</p>	<ul style="list-style-type: none"> SOE procurement statistics Database of project clients (SMEs and SOEs) Project baseline Ex post evaluation 	<ul style="list-style-type: none"> The macroeconomic and political environment does not change
PURPOSE			
A pilot model has been established for the development of SME suppliers to SOEs, preferably in the energy and telecommunications sectors.	<p>By end of project:</p> <ul style="list-style-type: none"> The ACIEM business center for the development of suppliers generates the income necessary to cover its operating costs. At least 30 of the SMEs that received information or participated in seminars or courses have increased their sales to SOEs. 30% of the SMEs participating in a supplier development program (SPD) have increased their sales by 10% as a result of purchases by SOEs. 	<ul style="list-style-type: none"> Midterm and final project evaluations Project completion report Project performance monitoring report (PPMR) 	<ul style="list-style-type: none"> The SOEs are interested in developing SME suppliers There are categories of SOE procurement that could potentially be supplied by SMEs. There is a potential group of SMEs interested in gaining access to SOE procurement of goods and services.

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
COMPONENTS			
Dissemination of information and good practices for the development of SME suppliers to SOEs	<p>By end of project :</p> <ul style="list-style-type: none"> • 200 business opportunities with SOEs are published on the Internet page.¹ • 90% of the business opportunities with SOEs published on the Internet have been responded to by at least one SME. • 750 SMEs have skills and knowledge about procurement procedures that enable them to participate in business opportunities with SOEs.² • At least 10 SOEs have changed their supplier evaluation criteria in ways that increase SME participation.³ • At least 75% of the SME and SOE beneficiaries of the project express high levels of satisfaction with the services received. 	<ul style="list-style-type: none"> • Project web page contents and statistics • Databases of project beneficiaries (SMEs and SOEs) • Reports requested from SMEs that supply SOEs • Review of web sites and the government's Management System for Business Associations, Enterprise Promotion, and Government Procurement. • Midterm and final project evaluations 	<ul style="list-style-type: none"> • There is information about business opportunities with SOEs that both they and the SMEs are unaware of. • SOEs and SMEs have misjudged each other. • There are ways in which SOEs can make the requirements in their procurement processes more flexible. • It is not certain that the SMEs will be considered for participation in SOE bidding processes.

¹ A business opportunity is the description of a need for a good or service by an SOE. The description must include the technical characteristics of the good or service as well as the quantity required and the delivery and payment conditions.

² The development of skills and knowledge will be determined on the basis of a self-evaluation by the SMEs that receive information or participate in courses or seminars organized by the project.

³ At this time, every SOE engages in practices that in one way or another discriminate against SMEs. The nondiscriminatory nature of SOE procurement policies and practices will be one of the factors analyzed in the midterm and final project evaluations.

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
Implementation of supplier development programs	<p>By end of project:</p> <ul style="list-style-type: none"> At least 5 SOEs have established SME supplier development plans; At least 100 SMEs have been assisted by business development services financed by the project; At least 75% of the project's SME and SOE beneficiaries express high levels of satisfaction with the services received. 	<ul style="list-style-type: none"> Database of project beneficiaries (SMEs and SOEs) Survey of SMEs and SOEs participating in the project 	<ul style="list-style-type: none"> SMEs are interested in strengthening their productive capacity and their negotiating position in relation to SOEs. Technical assistance services are available to develop SME capacities.
Dissemination of the model and institutionalization of the project	<p>By end of project :</p> <ul style="list-style-type: none"> Information about the project and its results will be systematized in a set of didactic institutional materials published on paper and on the web page, and will have been communicated to policy-makers, to SOE officials, and to organizations that support SMEs in Colombia. There will be at least 2,000 unique visitors to the web page per month. At least 1,000 SMEs will have received specialized information about the project and its outcomes. The business center is functioning within ACIEM. 	<ul style="list-style-type: none"> The program's web page and final report A report on the communication strategy implemented Statistics on the program's web page A report on the outcomes of fairs and other events organized Documents on the center's business model, financing plan, bylaws, and business and administrative structures 	<ul style="list-style-type: none"> There are SMEs with the potential to participate in the program. There is significant experience to share with other SMEs in the country. There is interest in involving new SMEs in the program. There are communications media available for the effective dissemination of program outcomes. There are other sectors where the program can be replicated.

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
ACTIVITIES			
<p>1.1 Design of the information mechanism</p> <ul style="list-style-type: none"> • Perform a diagnostic assessment of business opportunities and barriers to SMEs in the SOEs (TOR 1). • Produce a benchmarking study of successful Colombian and international experiences with supplier development systems and with large businesses that use SME suppliers (TOR2). • Produce a document describing the design of the information system (TOR3), including : <ul style="list-style-type: none"> • Terms of reference on the contents of the information mechanism. • Terms of reference for software to identify and disseminate information about potential business opportunities for SMEs. • Design of the mechanism's business model. 	<p>Design</p> <ul style="list-style-type: none"> • A diagnostic assessment of purchasing by 5 SOEs from the SME sector is performed in the first two months. • A study of international experiences with SDPs and best practices of large businesses in procurement from SMEs is produced in the first four months. • A model document on the mechanism with terms of reference for contracting implementation consultants is prepared in the first six months. 	<p>Design</p> <ul style="list-style-type: none"> • Consultant reports • Project management reports 	<p>Design</p> <ul style="list-style-type: none"> • There are experts in this field available to perform these activities in a timely fashion. • The project coordinator has the administrative ability to manage the program's monetary and human resources.
<p>1.2 Installation of the mechanism</p> <ul style="list-style-type: none"> • Produce a manual of procedures, functions/responsibilities, and systems for the management of the information mechanism and the executing unit (TOR 4). • Prepare a document on best practices in supplier development and an instruction manual to assist SOEs with procurement policies, identification of procurement areas for SMEs, formulation of SDP projects, methods for supplier evaluation, etc. (TOR5). • Prepare an instruction manual for SMEs on policies and practices of contracting with SOEs, including the formulation of offers, requirements for participation, partnerships, 	<p>Installation</p> <ul style="list-style-type: none"> • A manual detailing management principles, technical support requirements, and human resource functions is produced in the second six-month period. • A document is produced in the second six-month period detailing best practices in SDPs and an instruction manual on purchasing policies in SOEs that favor SME participation. • An instruction manual is produced in the second six-month period with a methodical arrangement of information and didactic materials to inform SMEs 	<p>Installation</p> <ul style="list-style-type: none"> • Consultant reports • Project management reports 	

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p>and financial instruments (TOR6).</p> <ul style="list-style-type: none"> • Develop curricula, methodology, and materials for seminars and courses for SOEs and SMEs (TOR 7). • Train PEU staff and select and train instructors (TOR8). • Develop Internet software, and a methodology for its adoption by enterprises, to identify and disseminate specifications and information about the technical and business aspects of goods and services in demand by SOEs and potentially provided by SMEs (TOR9). • Develop web page on SOE procurement for SMEs and on SME integration with other systems (TOR 10). • Develop a communications strategy and materials required to disseminate and “sell” the products and services of the information mechanism (TOR 11). • Develop strategic partnerships for training and assistance to SOEs and SMEs. 	<p>of the channels, procedures, and techniques for selling to SOEs.</p> <ul style="list-style-type: none"> • Educational methods are developed to impart information and provide skill development to SMEs that are suppliers to SOEs. In the second six-month period, the content of courses is determined and terms of reference for methodologies and materials are produced. • A work tool to systematize and disseminate information to SMEs about business opportunities for SMEs at SOEs is developed. Software, user manuals, and adoption program for SOEs are developed in the second six-month period. • A web page for communications and business management of the project is developed in the second six-month period. • A network of instructors sufficient in number and in competence to meet the requirements of the project is developed in the second six-month period. • An effective communications strategy to inform the public and potential users about the project is developed in the second six-month period. 		

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p>1.2.3. Dissemination of information</p> <ul style="list-style-type: none"> • Hold meetings, seminars, and training workshops in order for SOEs to implement SDPs and to provide specifications and information on technical and commercial conditions regarding goods and services in demand by SOEs that can potentially be provided by SMEs (TOR 12). • Bring the business opportunity database up to date. • Issue public notices to invite SMEs to use the mechanism; organize seminars to publicize the project model (TOR 13). • Sponsor meetings, courses, and seminars for SMEs on SDPs, on SOE contracting practices, and on the use of the information mechanism (TOR 12 and 13). • Create a database on registries of SME bidders to be included in the information mechanism for the use of SOEs (TOR13). • Establish an award for the SOEs with best practices in the contracting and development of SME suppliers, and an award for the SMEs with outstanding management in their role as suppliers to SOEs. 	<p>Dissemination of information. By end of project:</p> <ul style="list-style-type: none"> • The availability of the information mechanism is communicated effectively to potential users and to the public through various channels. • SOEs are contacted, have made commitments, have been trained, and have received support as users of the information mechanism. • Information about 200 business opportunities is systematized in the project database and published on the web page. • 750 SMEs attend courses, seminars, and workshops. • Complete information is available on at least 750 SMEs that are potential suppliers of SOEs in different product areas. • SOEs and SMEs that distinguish themselves in SDP activities receive public recognition in Colombia. 	<p>Dissemination of information:</p> <ul style="list-style-type: none"> • Consultant reports • Project beneficiary database (SMEs and SOEs) • Project management reports 	
<p>2.1 The design of a model SME supplier development program</p> <ul style="list-style-type: none"> • (TOR14) Design and implement a model methodology to provide technical assistance to SMEs (diagnostic assessment, planning, development of management capacities, adoption of technology, tracking). 	<p>Design</p> <ul style="list-style-type: none"> • There is a model methodology for technical assistance to SMEs that supports supplier development programs at SOEs in the second six-month period. • Assistance needs of potential SME participants in the technical assistance 	<p>Design</p> <ul style="list-style-type: none"> • Consultant reports • Database of project beneficiaries (SMEs and SOEs) • Project management reports 	<p>Design</p> <ul style="list-style-type: none"> • There is a need for model methodology that will be useful in the identification of weaknesses at SMEs.

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<ul style="list-style-type: none"> Conduct surveys and workshops with SMEs on the model methodology in order to identify its weaknesses. (TOR15) Design a specialized software program to support the technical assistance mechanism 	<p>program are identified in the second six-month period.</p> <ul style="list-style-type: none"> There is support software for the technical assistance model in the second six-month period. 		
<p>2.2 Selection and training of consultant network</p> <ul style="list-style-type: none"> (TOR 16) Establish a network of consultants (select, train, and determine roles, standard contracts, and compensation). 	<ul style="list-style-type: none"> The assistance program has a network of consultants that is large enough and sufficiently competent to fulfill project requirements in the second and third six-month periods. 	<ul style="list-style-type: none"> Consultant reports Database on project beneficiaries (SMEs and SOEs) Project management reports 	
<p>2.3 Implementation of SDPs</p> <ul style="list-style-type: none"> (TOR16) Conduct workshops with SOEs to present information on SME potential, to offer technical assistance, to define goods and services that SMEs could supply to SOEs, and to provide information on the establishment and execution of SDPs. Issue a call for SME participation; select SMEs. Facilitate visits by SOEs to large enterprises with good SDP practices. (TOR 17) Perform a diagnostic assessment of SMEs to satisfy the SOEs' requirements (based on the model methodology) and implement plans of action in SMEs to develop technical and management capacities. 	<p>Implementation</p> <ul style="list-style-type: none"> 5 SOEs are identified in the third six-month period. 100 SMEs are selected in the third and fourth six-month periods. SOEs and SMEs sign SDP agreements in the fourth six-month period. Business development services are delivered to SMEs in the fourth and fifth six-month periods. 	<p>Implementation</p> <ul style="list-style-type: none"> Report on workshop outcomes Report on goods and services that SMEs can supply Letters, inserts, web page of the SOEs and of the executing unit Report on the selection process for SME beneficiaries Diagnostic assessment reports by consultants Report on outcomes of plan of action and technical assistance 	<ul style="list-style-type: none"> SMEs are interested in building partnerships in order to be more competitive. Partnership building is a means to increase SME productivity.

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<ul style="list-style-type: none"> • (TOR18) Provide technical assistance to SMEs to solve specific problems related to products and processes and to strengthen weaknesses encountered. • (TOR19) Provide consulting services for the design and implementation of partnership mechanisms among the SMEs. 			
<p>3.1 Document the experiences and lessons learned through the project.</p> <ul style="list-style-type: none"> • (TOR20) Prepare a report on lessons learned and policy recommendations. <p>3.2 Dissemination of information about the project</p> <ul style="list-style-type: none"> • Hold an event to launch the project. • Prepare brochure on the project. • Organize seminars to disseminate program outcomes among SMEs that are suppliers of SOEs. <p>3.3 Institutionalization of the project</p> <ul style="list-style-type: none"> • Implement and certify compliance with ISO 9000 standards for ACIEM (from the beginning of the project) • Institutionalize the business center (business model, business plan, and financial plan) <p>3.4 Establish a management system.</p>	<ul style="list-style-type: none"> • A document describing lessons learned and containing policy recommendations is produced in the sixth six-month period. • The purposes and outcomes of the project are disseminated through the mass media and among authorities, opinion leaders, and other key agents throughout the course of the project. • Five forums are held over the course of the project to disseminate information about it to other sectors. • ACIEM attains ISO 9000 quality certification in the last year of the project. • The business center is in operation by the end of the project. • The PEU has a management system in place in the first six-month period. 	<ul style="list-style-type: none"> • Consultant reports • Database of project beneficiaries (SMEs and SOEs) • Project management reports • Text of the ISO quality certification • Texts of the center's bylaws, business plan, and administrative structure 	

Annex II: Detailed Budget
SME PARTICIPATION IN PROCUREMENT BY STATE-OWNED ENTERPRISES
TC-0305015-CO

ITEM	Number months	Unit cost	Number persons	Total	%	MIF contribution	Local contribution	Local contribution	
								in kind	in cash
Component I. Dissemination of information and good practices for the development of SME suppliers to SOEs.				309,200	0.25	144,200	155,000	25,100	130,900
1.1 Design of information mechanism				36,000		24,000	12,000		12,000
- CS (TOR1) - diagnostic assessment of business opportunities at SOEs	1	3,000	1	3,000		3,000			
- CS (TOR2) - Benchmarking SDP experiences and analysis of policies, regulations, and best practices in SOE procurement aimed at SMEs	2	1,500	3	9,000		9,000			
- Travel and per diem	2	3,000	2	12,000		12,000			
- CS (TOR3) - Design of content and operation of information mechanism	4	3,000	1	12,000			12,000		12,000
1.2 Installation of information mechanism				118,200		77,700	40,500	12,700	27,800
- CS (TOR4) - Organization of executing unit	2	3,000	1	6,000			6,000		6,000
- Technological infrastructure to support the project									
- Software	4	500	1	2,000		2,000			
- Software update	4	500	1	2,000			2,000		2,000
- Hardware (computers, video beam projector)	1	10,000	1	10,000		10,000			
- CS (TOR5) - SDP best practices and instructions for working with SOEs	2	3,000	1	6,000		6,000			
- CS (TOR6) - Manual for work with SMEs	2	3,000	1	6,000		6,000			
- CS (TOR7) - Curricula and materials for courses for SMEs and SOEs	3	3,000	1	9,000		9,000			
- CS (TOR8) - PEU training and training of instructor network	3	3,000	1	9,000		9,000			
- CS (TOR9) - Internet software for identification and dissemination of bus. ops.	4	4,000	1	16,000			16,000		16,000
- CS (TOR10) - Web page design and production	1	8,000	1	8,000			8,000	4,200	3,800
- Internet hosting and maintenance	24	800	1	19,200		19,200			
- Materials layout and printing of materials				10,000		6,500	3,500	3,500	
- CS (TOR11) - Communications strategy and materials	1	15,000	1	15,000		10,000	5,000	5,000	
1.3 Dissemination of information				146,000		42,500	103,500	12,400	91,100
- CS (TOR12) - Relations with SOEs / Identify and systematize bus. ops.	24	1,500	1	36,000		36,000			
- Seminars to disseminate the model and to call for SME participation	5	5,000	1	25,000			25,000	5,000	20,000
- Courses on contracting for SOEs and SMEs	5	6,500	1	32,500			32,500	2,400	30,100
- CS (TOR13) - Relations with SMEs, databases on participating SMEs	24	1,500	1	36,000			36,000		36,000
- SME award	3	500	1	1,500			1,500		1,500
- Organizing event for SME award	3	5,000	1	15,000		6,500	8,500	5,000	3,500
2. Component II. Implementation of supplier development programs				492,000	0.40	304,000	188,000	5,000	183,000
2.1 Design model SDP for SMEs				18,000		18,000			
- CS (TOR14) - Model methodology	2	6,000	1	12,000		12,000			
- Workshops with SMEs to test the model methodology	2	1,000	1	2,000		2,000			
- CS (TOR15) - Design of support software for technical assistance (combines with TOR25)	2	2,000	1	4,000		4,000			
2.2 Selection and training of consultant network				10,000		7,000	3,000	3,000	
- CS (TOR16) - Selection and training of consultant network	4	2,500	1	10,000		7,000	3,000	3,000	
2.3 Implementation of SDP				464,000		279,000	185,000	2,000	183,000
- CS (TOR16) - Workshops with SOEs (offer technical assistance and define opportunities and projects)	4	2,500	1	10,000		8,000	2,000	2,000	
- Travel and per diem	4	1,000	1	4,000		1,000	3,000		3,000
- Assisting SOEs to visit large enterprises with good SDP practices	5	2,000	1	10,000		10,000			
- CS (TOR17) - Performing diagnostic assessments and developing plans of action at SMEs to satisfy SOE requirements (based on model methodology)	100	2,000	1	200,000		100,000	100,000		100,000
- CS (TOR18) - Solving specific problems	50	4,000	1	200,000		120,000	80,000		80,000
- CS (TOR19) - Support for strategic partnerships and cooperative projects	10	4,000	1	40,000		40,000			
3. Component III. Dissemination of the model and institutionalization of the project				80,000	0.07	56,000	24,000	11,000	13,000
3.1 Documenting experiences and lessons learned				8,000		8,000			
- CS (TOR20) - Preparation of report on lessons learned and policy recommendations	2	4,000	1	8,000		8,000			
3.2. Dissemination of project				37,000		13,000	24,000	11,000	13,000
- Event to mark project launching	1	5,000	1	5,000		3,000	2,000	2,000	
- Project brochure	1	7,000	1	7,000			7,000	3,000	4,000
- Seminars to provide information on the progress of the project (semiannual)	5	5,000	1	25,000		10,000	15,000	6,000	9,000
3.3 Institutionalization of the project				35,000		35,000			
- CS (TOR21) - Implementation of ISO 9000 quality standards and certification	20	1,500	1	30,000		30,000			
- CS (TOR22) - Institutionalization of business center	1	5,000	1	5,000		5,000			
4. EXECUTING UNIT				295,600	0.24	168,800	127,800	64,800	63,000
- Project coordinator (TDR23)	36	3,000	1	108,000		64,800	43,200		43,200
- Technical assistant (TDR24)	36	1,500	1	54,000		54,000			
- Management system design and implementation (TDR25)	1	11,000	1	11,000		11,000			
- International consultant project advisor (TOR26)	4	3,000	1	12,000		12,000			
- Administrative and financial support (in kind contribution)	36	1,000	1	36,000			36,000	36,000	
- International travel and per diem	4	2,000	1	8,000		8,000			
- Domestic travel and per diem	20	500	1	10,000		7,000	3,000		3,000
- Office rent	36	800	1	28,800			28,800	28,800	
- Office support (telephone, stationery, etc.)	36	800	1	28,800		12,000	16,800		16,800
5. Monitoring, evaluation, and auditing				19,000	0.02	19,000			
- Intermediate and final evaluation (TOR27)	2	7,000	1	14,000		14,000			
- Final audit	1	5,000	1	5,000		5,000			
Subtotal				1,187,800		692,000	495,800	105,900	389,900
Contingencies				28,000	0.02	28,000			
Program total				1,215,800	1.00	720,000	495,800	105,900	389,900
						59.2%	40.8%	9%	32%

Key: CS: Consulting services

**ANNEX III
RELATED PROJECTS IN COLOMBIA**

**SME Participation in Procurement by State-owned Enterprises
(TC-0305015-CO)**

A. MIF projects similar or related to the project.

None.

B. Bank projects similar or related to the project.

None.

C. Projects related to the same sector or beneficiaries.

Project number and approval date	Project name, executing agency, and amount	Signature date and disbursement period in months	Amount disbursed	Comments
ATN/ME-4911-CO 18 April 1995	Business Development Centers (CDEs) Confederación de Cámaras de Comercio de Colombia (CONFECAMARAS) MIF contribution: US\$5,967,000	19 October 1995 60 months	100%	Up to 24 months of extensions were granted. Five business development centers were established, in Bogota, Cali, Medellín, Bucaramanga, and Barranquilla, exceeding stated objectives and having a positive impact on SMEs. In addition, more than 100 SMEs received ISO 9000 certification.

Project number and approval date	Project name, executing agency, and amount	Signature date and disbursement period in months	Amount disbursed	Comments
				By the end of the project, the centers were generating revenues to cover 70% of their operating costs.
ATN/ME-7856-CO 1 May 2002	Promotion of cooperative ventures between firms Asociación Colombiana de Pequeñas y Medianas Empresas (ACOPI) MIF contribution: US\$1,092,400	7 June 2002 42 months	42%	The midterm evaluation indicates significant progress in project components and a very heightened awareness by SMEs of the advantages of forming strategic alliances. At this time it is necessary for ACOPI to make a greater commitment to the SMEs in order to achieve satisfactory levels of program sustainability.
ATN/ME-8204-CO 21 February 2003	Competitiveness of the jewelry sector in Santander Centro de Desarrollo de la Joyería en Santander. MIF contribution: US\$375,000	25 April 2003 48 months	10%	Program execution is satisfactory to date. The government is assisting through its national jewelry sector support plan, and there is also an agreement on competitiveness within the sector's supply chain.
ATN/MH-6752-CO 10 November 1999	Introduction of quality control and environmental management systems in small and medium-sized enterprises Instituto Colombiano de Normas Técnicas y Certificación (ICONTEC) MIF contribution: US\$1,231,000	12 December 1999 54 months	60%	The executing agency is exceeding the great majority of targets envisaged in the logical framework of the agreement.

PROPOSED RESOLUTION

Colombia. Nonreimbursable Technical Cooperation for the
SME participation in government procurement

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 the Colombian Association of Engineers, 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 SME participation in government procurement.
2. That up to the amount of US\$720,000, or its equivalent in other convertible currencies, shall be authorized for the purpose of this resolution, chargeable to the resources of the Line of Activity for the Strengthening of Financial Institutions for Microenterprise 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.