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**GUATEMALA**

**SUPPORT FOR E-COMMERCE DEVELOPMENT**

**(GU-M1002)**

**DONORS MEMORANDUM**

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## **APPENDICES**

Proposed resolution
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## **INFORMATION AVAILABLE IN THE SDS/ICT TECHNICAL FILES**

### **Preparation:**

Survey of SMEs on their business use of the Internet

### **Execution:**

Draft Operating Regulations

Draft terms of reference for the project coordinator

Project MPPMR

Timetable of activities

## ABBREVIATIONS

CCG	Cámara de Comercio de Guatemala [Chamber of Commerce of Guatemala]
CONCYT	Consejo de Ciencia y Tecnología [Science and Technology Council]
FUNDESA	Fundación para el Desarrollo de Guatemala [Foundation for the Development of Guatemala]
ICT	Information and communications technology
IDB	Inter-American Development Bank
ITU	International Telecommunication Union
MIF	Multilateral Investment Fund
MPPMR	MIF project performance monitoring report
PCR	Project completion report
PCU	Project coordination unit
SAT	Superintendencia de Administración Tributaria [Office of the Tax Administration Superintendent]
SMES	Small and medium-sized enterprises

## SUPPORT FOR E-COMMERCE DEVELOPMENT

### (GU-M1002)

#### I. EXECUTIVE SUMMARY

<b>Executing agency:</b>	Chamber of Commerce of Guatemala (CCG)	
<b>Beneficiaries:</b>	The direct beneficiaries will be the CCG's member small and medium-sized enterprises (SMEs), which will be made more aware of information and communications technologies (ICT) and will be trained and supported in their use.	
<b>Financing:</b>	MIF – Facility III-A	US\$403,750 (70%)
	Local contribution:	US\$168,650 (30%)
	Total:	US\$572,400 (100%)
<b>Objectives and description:</b>	The goal of the project is to make SMEs in Guatemala more productive and efficient through the deployment of e-commerce and ICT tools. Its purpose is to encourage SMEs to make more intensive use of e-commerce and ICTs in order to enhance their efficiency and market share. The project has the following components: (i) boost confidence in online transactions; (ii) build awareness of ICTs and e-commerce among CCG staff and SME employees and train them in their use; and (iii) provide technical assistance and develop ICT and e-commerce services.	
<b>Execution timetable:</b>	Execution period:	36 months
	Disbursement period:	42 months
<b>Conditions precedent:</b>	As a condition precedent to the first disbursement of the MIF contribution, the CCG must present evidence, to the Bank's satisfaction, of: (i) the selection of the project coordinator under the terms of reference approved by the Bank; and (ii) the CCG's approval of the final version of the Operating Regulations.	
<b>Other special contractual clauses:</b>	At the end of each year of project execution, when it submits the corresponding semiannual progress report, the executing agency must present an annual work plan for the following year.	

**Exceptions to  
Bank policy:**

None.

**Social and  
environmental  
impact:**

The Committee on Environment and Social Impact (CESI) reviewed the profile for this operation at meeting 25/04 of 18 June 2004, requiring that the participating firms adhere to national environmental and labor standards.

## II. BACKGROUND

### A. General context

- 2.1 Although Guatemala ranked 73rd out of 81 countries in the World Economic Forum's international "e-readiness" index for 2002-2003, there have been a series of advances in the development of the country's ICT sector, including: (a) the country has deregulated its telecommunications market, and the growth of wireless telephone service has been quite strong in recent years; (b) public policies aimed at developing ICTs are moving forward, and the government has put forward several specific initiatives; (c) the banking sector and major exporters have the infrastructure for making online payments; (d) e-commerce sites have been developed that enable businesses to create virtual stores to market their products; and (e) a handful of local companies supply software for doing business over the Internet, including payments and delivery agreements.
- 2.2 Data from the International Telecommunication Union (ITU)<sup>1</sup> highlight the increased use of ICTs in Guatemala. One of the most significant figures is the growth in the number of Internet users: up 97.4% from 2001 to 2002. According to the ITU, the number of users rose to approximately 400,000 in 2002, while the number of hosts, which is an indicator of the development of local Web content and services, reached almost 10,000.
- 2.3 A major boost to the development of Guatemala's ICT sector has come from the government. Several successful initiatives demonstrate that the government is addressing the need for citizen participation in ICTs. The first example is the online tax collection system, through which 84% of taxes were paid in 2002. This system, managed by the Office of the Tax Administration Superintendent (SAT), was the result of an initiative developed in collaboration with commercial banks. The involvement of the private sector has given citizens greater confidence in ICT systems in their daily life. Another major example is the government's contracting and procurement system, Guatecompras. This web-based system lends greater transparency to government procurement and facilitates private-sector participation in government contracting for goods and services.
- 2.4 In terms of the regulatory framework, it is worth noting that during the last legislature, a member of the Congress introduced bill 2715 of 2002 on the acceptance of digital signatures. This bill had not been drafted based on private-sector consensus and was never taken up by the Congress, so it cannot really be considered a good point of departure for developing a new sector regulatory framework. Nevertheless, the current administration understands the importance of establishing a legal framework for e-commerce that suits the country's economic

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<sup>1</sup> Data reported in *World Development Indicators 2003*.



and social characteristics while also fostering confidence in online transactions, both between private parties and as part of e-government services.

## **B. ICT and e-commerce development at Guatemala's SMEs**

- 2.5 With the country's increased connectivity, interest in ICTs is growing in the private sector and among citizens. Within Guatemala's private sector, the industries that stand to benefit most from an online marketplace are tourism, banking, and agriculture. If SMEs were to incorporate Internet technology solutions, it would strengthen and diversify these industries and enable them to broaden or deepen their penetration of new markets at little cost.
- 2.6 The most advanced sector in terms of e-commerce is banking, where the vast majority of interbank transactions are done electronically. Some banks also enable customers to monitor their account status and perform transactions between accounts within the same bank. Banca Red (<http://www.bancared.com.gt/>) offers a certification authority service to issue and manage digital certificates and acts as a registration authority, validating certificate requests.
- 2.7 Two current private-sector initiatives involving ICTs stand out, both of them supported by the MIF. The Foundation for the Development of Guatemala (FUNDESA), started by entrepreneurs to further the country's economic and social development, has developed a tourism portal ([www.guatemalaenvivo.com](http://www.guatemalaenvivo.com)) with information on 172 member businesses, including hotels, restaurants, Spanish-language schools, tour guides, handicraft classes, etc. This portal enables the user to explore the various tourism packages offered by Guatemalan small businesses. FUNDESA is currently developing an Internet reservations system that will attract more tourists from around the world.
- 2.8 Another interesting experience is the technical-cooperation program being executed by the Association for the Promotion of Fair Trade in Central America, Mexico, and the Caribbean (CRECER) to promote the export competitiveness of small handicraft producers by using electronic marketing tools that enable them to optimize their business relationships, diversify their customer base, and penetrate international markets (ATN/ME-6355-GU-RG). The project will help these producers receive technology transfers, acquire marketing and business administration skills, and design and develop new products.
- 2.9 Despite these advances, there are factors limiting the more extensive use of ICTs and e-commerce by Guatemalan SMEs: (i) several studies, some by the OECD,<sup>2</sup> have shown that understanding the benefits of ICTs and having the skills to use

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<sup>2</sup> See for example: OECD, *The 2<sup>nd</sup> OECD Conference of Ministers Responsible for SMEs on "Promoting Entrepreneurship and Innovative SMEs in a Global Economy" – Theme 3 Promoting ICT Use and e-Business Adoption by SMEs*, June 2004.

them in a business environment are prerequisites for businesses to deploy them effectively for competitive growth; Guatemalan SMEs are still relatively unfamiliar with ICTs, so awareness-building activities and technical assistance should have the greatest impact on building their capacity to assimilate these technologies; (ii) an absence or shortage of business consulting services specializing in ICTs (especially outside Guatemala City); and (iii) the inadequate regulatory framework, which undermines people's confidence in using the Internet. Although the existence of a regulatory framework does not automatically mean that a large e-commerce market will develop, the lack of such a framework is considered a hindrance to the adoption of online systems for transactions and the exchange of information (despite what has happened in several developed countries, notably the United States). This is why many of the region's countries have already passed laws to give legal weight to electronic contracts and/or digital signatures.

### **C. Project rationale**

- 2.10 This project seeks to expand SMEs' knowledge about ICTs and building their capacity to use them to become more efficient and productive and to explore new market opportunities or consolidate their existing markets. To this end, it will support awareness-building and training activities for local businesses and consultants. For a demonstration effect, moreover, it will conduct diagnostic assessments of individual SMEs to help them put together plans for investing in ICTs and using them in their business. At the same time, it will help develop new web-based services or strengthen those that the Chamber of Commerce of Guatemala (CCG) or other agencies operating in the country already offer with a certain measure of success (e.g. the job bank currently available in Guatemala City, and web development and maintenance services for SMEs). This project does not aim to create new telecenters, but rather to build capacity and expand the supply of content services.
- 2.11 A key element of the project is the priority given to expanding services beyond Guatemala City. The CCG is the only private-sector institution that has a nationwide network of affiliates. The project will bring training, consulting, and Internet services to fifteen affiliates outside the metropolitan area to be selected by the CCG.
- 2.12 With the proliferation of services that require digital signatures (e-procurement, tax e-filing, e-commerce, and online banking), the need for an effective regulatory framework is becoming increasingly clear. The new administration, which has made Guatemala's competitiveness a priority on its agenda, is taking the initiative, through the Committee for State Reform, of pushing for the revision and passage of the digital signature law. In this connection, the project seeks to foster dialogue between the private and public sector on how to shape the regulatory framework, and to help the CCG offer an affordable digital certification service for SMEs as a registration authority.

- 2.13 One IDB-supported initiative that bears mention is the program of support for technological innovation (document GU-0135), still in its early stages of implementation, whose objectives are to make SMEs more productive and competitive by financing technological innovation projects. In contrast, the proposed project focuses on training and raising awareness among SMEs as to how to use technology in their business. It also seeks to strengthen arrangements for collaboration between the Science and Technology Council (CONCYT) and the Chamber of Commerce, with particular emphasis on matters relating to the regulatory framework.
- 2.14 One of the objectives of the MIF's information and communication technology cluster is to promote the development of e-commerce in the countries of the region. Accordingly, the proposed project encourages small businesses to adopt ICTs, adds to their knowledge of how to use them, and enhances their efficiency and the quality of their products and services. It also fosters interaction among similar projects, such as the e-commerce development project in Panama (ATN/ME-8081-PN) and the project to foster e-commerce opportunities for SMEs in the Santa Cruz region of Bolivia (ATN/MH-8431-BO), both in their early stages of implementation, with a view to sharing know-how and lessons learned. The same will be done with other regional initiatives, including the telecenter initiative under the Puebla-Panama Plan and the analysis of ICT training needs among SMEs spearheaded by Costa Rica's High Technology Advisory Committee (CAATEC).

### **III. OBJECTIVES, COMPONENTS, AND ACTIVITIES**

- 3.1 The general objective of the project is to make small and medium-sized enterprises more productive and efficient through the deployment of ICTs. The specific objective is to train SMEs and support their business use of ICTs. To achieve these aims, the project calls for an analysis of the regulatory framework to identify actions that would boost confidence in online transactions, and for efforts to make SMEs more aware of and interested in using ICTs. The project components are as follows:

#### **1. Component 1. Boost confidence in online transactions (MIF: US\$26,500 / Local: US\$8,000)**

The objective of this component is to create favorable regulatory and operating conditions, so that operators and users have greater confidence in transactions over the Internet. The component encompasses three activities:

- a. Analyze the existing legal framework for e-commerce and produce a diagnostic report. This activity involves hiring a local consultant with expertise in legal issues surrounding e-commerce. The report will be distributed over the Internet, in print, and on CD.

- b. Organize a forum on the regulatory framework with participants from the public and private sectors. This forum should encourage dialogue between government and the private sector in the process of framing the digital signature law. The forum will include presentation of a case study involving a country of the region where a digital signature law has been enacted.
  - c. Implement a registration authority<sup>3</sup> service for digital signatures at the Chamber of Commerce of Guatemala (CCG). This also entails training the staff of the CCG. The service will be provided by hiring a locally and/or internationally recognized digital certification firm.
- 2. Component 2. Build awareness of ICTs and e-commerce among CCG staff and SME employees and train them in their use (MIF: US\$71,700 / Local: US\$48,000)**

The objective of this component is to familiarize SMEs and CCG staff with the business use of ICTs through awareness-building and training activities. The following activities have been chosen:

- a. Prepare and hold an awareness-raising event at the CCG's head office and at 15 regional affiliate offices. This activity includes preparing promotional material for the conference (brochures and announcements) and organizing meetings of speakers in and outside Guatemala City. An estimated 2,000 private-sector representatives are expected to participate in these events, 1,500 of them from outside the metropolitan area.
- b. Put together an orientation guide on the use of ICTs and e-commerce for SMEs. The guide will serve as reference material both in the training environment and for businesses.
- c. Train entrepreneurs and employees of SMEs in and outside the capital. At three-day seminars, participants will be introduced to the use of ICTs, and specific applications will be demonstrated that are available on the Internet or in the form of software offered by the CCG. An estimated 200 businesses meeting the predetermined criteria (see paragraph 7.2) will benefit from these seminars.
- d. Train the staff that will serve as advisors to SMEs. This activity involves training five senior advisors located in the capital, and 15 junior advisors elsewhere in the country. The selection criteria for these individuals are set out in the Operating Regulations.

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<sup>3</sup> In a digital signature certification system, the registration authority acts as an arm of the certification authority, receiving requests from individuals or corporations for certification of a digital signature or a secure server. In the United States, the use of digital signatures (e.g. for e-commerce servers) has become widespread, without the Congress having passed legislation to regulate it.

### **3. Component 3. Provide technical assistance and develop ICT and e-commerce services (MIF: US\$121,750 / Local: US\$62,650)**

This component is aimed at increasing the use of the Internet and e-commerce in Guatemala. It encompasses three activities:

- a. Conduct diagnostic assessments of ICT use and prepare plans for SMEs to deploy ICTs in their business. Diagnostic forms and ICT deployment plans will be produced for SMEs in and outside Guatemala City as outputs. A total of 50 companies will benefit: 20 in Guatemala City and 30 elsewhere in the country. The companies will have to contribute at least 50% (65% for SMEs outside Guatemala City) of the consulting costs associated with these assessments. The Operating Regulations describe the process for selecting eligible SMEs (for eligibility criteria, see paragraph 7.2).
- b. Develop the CCG's Internet, business intermediation, and other value-added services. This activity includes creating a billboard service and developing billboard software to promote the services of SMEs. All this information will be published in print, on the Internet, and on CD.
- c. Develop value-added Internet services for three sectors. This activity involves carrying out and analyzing pilot projects that will include the development of a portal for each participating sector. Workshops will be held for businesses from all three sectors, and promotional methods aimed at businesses will be presented. One of the industries to benefit from the activities under this component, tourism, has already been identified. The criteria for choosing these sectors concern (i) the extent to which the sector is represented in the regional chambers' membership; (ii) the potential economic impact on the sector of greater competitiveness; (iii) the technical and business feasibility of implementing an ICT-based strategy in the sector; and (iv) the estimated number of SMEs that could benefit.

## **IV. COST, FINANCING, AND SUSTAINABILITY**

- 4.1 The total project cost of US\$572,400 will be broken down as follows: (i) US\$403,750 in MIF resources (Small Enterprise Development Facility, III-A) and (ii) US\$168,650 in counterpart resources contributed by the CCG, of which US\$85,200 will be in cash and US\$83,450 in kind. A summary of the principal financing items for the project is presented below.

<b>Costs (US\$)</b>			
<b>Budget Items</b>	<b>MIF</b>	<b>Local</b>	<b>Total</b>
<i>Component 1:</i> Boost confidence in online transactions	26,500	8,000	34,500
<i>Component 2:</i> Build awareness of ICTs and e-commerce among CCG staff and SME employees and train them in their use	71,700	48,000	119,700
<i>Component 3:</i> Provide technical assistance and develop ICT and e-commerce services	121,750	62,650	184,400
Project management	100,800	45,000	145,800
Audits, evaluations, and contingencies	63,000	5,000	68,000
<b>Total</b>	<b>383,750</b>	<b>168,650</b>	<b>552,400</b>
Cluster activities	20,000	0	20,000
<b>Total</b>	<b>403,750</b>	<b>168,650</b>	<b>572,400</b>

- 4.2 The Bank will use US\$20,000 equivalent for coordination activities related to the cluster. This amount will be deducted from the MIF contribution on the effective date of the letter of agreement for technical cooperation, without requiring a disbursement request from the executing agency.
- 4.3 **Sustainability:** The project provides for direct sources of funding through the various types of services to be offered by the head office of the CCG and by its affiliates. These services include business education programs, web design and maintenance, online marketing, and access to job banks. The funds obtained from these sources are expected to be sufficient to enable the CCG to continue its support activities.

## V. EXECUTING AGENCY AND MECHANISM

- 5.1 **Executing agency.** The Chamber of Commerce of Guatemala (CCG) will be the executing agency for this project. The CCG has existed as a legally recognized organization since 26 February 1894. Among its primary objectives are to promote, advance, and defend the general interests of the country's commerce and industry, and to promote, advance, and defend free enterprise. The CCG provides an array of services to its affiliates, such as the certification of origin of goods and general and specialized advisory services for its members. The CCG is the only private-sector entity in Guatemala to have 21 departmental affiliates and 12 municipal chapters. These affiliates and chapters, each with its own board of directors and management structure, work to further the development of their departments and report to the head office. The CCG employs some 80 to 100 people and has a yearly budget of close to US\$2 million. The Information Technology Unit has trained personnel and sufficient technological infrastructure.

- 5.2 The CCG currently manages several telecenters in Guatemala's northern region, in the cities of Santa Cruz del Quiche, Nebaj, and Rabinal, which were set up in conjunction with the United States Agency for International Development (USAID) and the Guatemalan Exporters' Trade Association.
- 5.3 **Execution mechanism:** To execute the project, the CCG will have a project coordination unit (PCU) consisting of a project coordinator and assistant coordinator, both to be hired by the project, and an accountant to be designated by the CCG. The CCG has appointed three technical coordinators who will be in charge of activities in three areas: (i) business services; (ii) ICTs; and (iii) activities with affiliates outside Guatemala City. The PCU will be in charge of coordinating actions, managing project activities, applying management controls, and administering the budget in accordance with the established procedures. The PCU will be required to prepare disbursement requests and submit accounting, administrative, and technical reports to the Bank's Country Office in Guatemala. The executive director of the CCG will supervise the PCU.
- 5.4 **Project readiness.** The project is at an advanced stage of readiness. The CCG, with support from the Bank team, has prepared the following documents: (i) draft terms of reference for the project coordinator; (ii) the timetable of activities; (iii) selection criteria for the chamber affiliates outside Guatemala City; (iv) the eligibility criteria for participating businesses; (v) selection criteria for the businesses to benefit from technical-assistance services; and (vi) selection criteria for the sectors in which pilot projects will be carried out.
- 5.5 **Execution and disbursement periods.** The project execution period will be 36 months, and the disbursement period will be 42 months.
- 5.6 **Procurement.** The CCG will procure the goods and services and hire the consulting services needed for project execution in accordance with the procurement procedures and policies of the Bank and the MIF.

## VI. MONITORING AND EVALUATION

- 6.1 The CCG will be responsible for preparing semiannual progress reports and a final report documenting the activities of the previous six months, and will prepare a work plan and a disbursement timetable for the following period based on the indicators in the project's logical framework. These reports are to be submitted to the Bank's Country Office in Guatemala for approval within 60 days after the end of each six-month period. The project includes activities to monitor outcomes and assumptions that could affect the extent to which the projects' specific objectives are met; these activities will be modified as needed. Within the three months prior to the last disbursement, the Bank's Country Office in Guatemala, together with the CCG, will prepare the project completion report (PCR), placing particular emphasis

on lessons learned (positive and negative) as well as the outlook for project sustainability.

- 6.2 The Bank will hire outside consultants to conduct two evaluations: a midterm evaluation to be done once 50% of the MIF resources have been disbursed (or at another time agreed upon by the Bank and the executing agency), and a final evaluation three months after the end of the execution period. The midterm evaluation will assess the progress and overall performance of the project, placing particular emphasis on (i) information about the new registration authority service; (ii) information on the development of value-added Internet services in the three sectors; and (iii) the number and level of staff from the CCG and SMEs who have attended awareness-building events and have been trained. For the final evaluation, the outside consultants will assess the extent to which the activities carried out under the project have taken root at the regional chambers, as well as the overall outcomes of all the components and the accomplishment of objectives. The consultants will use the logical framework in Annex I with any modifications agreed upon by the Bank and the executing agency.
- 6.3 **Supervision.** The Country Office in Guatemala will be responsible for supervising this project. The CCG will be responsible for gathering and analyzing the relevant information to continuously monitor the principal indicators set out in the logical framework. These indicators will be used by the CCG and the Bank for project supervision and evaluation, and will be considered in preparing the semiannual progress reports as well as the midterm and final evaluations.

## VII. BENEFITS AND RISKS

- 7.1 **Benefits.** By the end of the project, 80% of participating small and medium-sized enterprises are expected to be making greater and/or more effective use of ICT tools, and, as a result, 50% will have increased their market share both domestically and internationally. The CCG service centers will be self-financing. Also expected is a significant increase in participants' level of confidence in Internet commerce. Additionally, the following benefits should be seen: (a) the public and the private sector will be more aware of the importance of the legal framework for e-commerce; (b) some 2,000 businesses will be informed of the benefits of ICT and e-commerce tools; (c) a security mechanism for digital transactions will be implemented and at least 30 SMEs will be using digital certificates; (d) Internet and intermediation services adapted to the needs of SMEs will have been implemented in the three sectors; (e) there will be a more intensive use of e-commerce transactions.
- 7.2 **Eligibility criteria.** To participate in the seminars under component 1 and receive the services under component 3, businesses must meet the following requirements: (i) be legally established and classified as an SME under Guatemalan law; (ii) have



between 5 and 50 employees; (iii) possess market capacity and potential; (iv) have an administrative profile prepared and have sufficient administrative capacity; (v) be financially stable; (vi) demonstrate managerial commitment to the project; and (vii) adhere to national environmental and labor standards.

- 7.3 **Risks.** The project faces two main risks. The first is a lack of interest on the part of some public-sector institutions in interacting with the private sector in shaping the regulatory framework. To mitigate this risk, the project calls for periodic meetings between representatives of the Science and Technology Council (CONCYT) and the CCG's project coordinator to discuss both parties' progress in that arena. The second risk is that the participating SMEs will view ICTs as a panacea that can solve all their business problems. To mitigate this risk, the project includes awareness-building activities, training, and activities to promote business processes for SMEs. Experience has shown that project implementation and sustainability also depend on the willingness of businesses to analyze their financial and human resources in the short, medium, and long term.

## VIII. ENVIRONMENTAL AND SOCIAL FEASIBILITY

- 8.1 The Committee on Environment and Social Impact (CESI) reviewed the profile for this operation at meeting 25/04 of 18 June 2004, requiring that the firms participating in this project adhere to national environmental and labor standards.

## IX. SPECIAL CONTRACTUAL CLAUSES

- 9.1 As a condition precedent to the first disbursement of the contribution, the CCG must submit, to the Bank's satisfaction, evidence of: (i) the selection of the project coordinator under the terms of reference approved by the Bank and (ii) the CCG's approval of the final version of the Operating Regulations.

## SUPPORT FOR E-COMMERCE DEVELOPMENT IN GUATEMALA

(GU-M1002)

### LOGICAL FRAMEWORK MATRIX

Narrative summary of objectives	Indicators	Means of verification	Assumptions
<b>Goal</b>			
<b>To make small and medium-sized enterprises in Guatemala more productive and efficient by introducing e-commerce and information and communications technology (ICT) tools.</b>	2 to 3 years after project completion: <ul style="list-style-type: none"> <li>Guatemalan SMEs have become more competitive and more productive through the use of ICTs.</li> <li>The market share of SMEs has grown in terms of domestic and international sales.</li> </ul>	<ul style="list-style-type: none"> <li>National census of economic sectors</li> <li>National statistics from the Science and Technology Council</li> <li>Ex post evaluation reports by an ICT consultant</li> </ul>	<ul style="list-style-type: none"> <li>SMEs are interested in investing more in ICTs to enhance productivity and efficiency.</li> <li>Political conditions are stable; the government will promote e-commerce development.</li> </ul>
<b>Purpose</b>			
<b>To intensify SMEs' use of e-commerce and ICTs to enhance their efficiency and market share.</b>	<ul style="list-style-type: none"> <li>By the end of the project, the CCG service centers finance themselves with the revenues they generate.</li> <li>By the end of the project, 80% of beneficiary SMEs make greater and/or more effective use of ICTs.</li> <li>By the end of the project, 50% of businesses increase their market share in terms of domestic and international sales.</li> <li>By the end of the project, confidence in using the Internet has increased by 75%.</li> </ul>	<ul style="list-style-type: none"> <li>Midterm and final evaluation by the outside consultant</li> <li>Progress report and final report from the executing agency</li> <li>Project performance monitoring report (MPPMR)</li> <li>Project completion report (PCR) prepared by the Country Office</li> <li>Baseline data</li> </ul>	<ul style="list-style-type: none"> <li>Demand for e-commerce continues to grow.</li> <li>Macroeconomic conditions remain stable.</li> <li>The government is willing to work with the private sector.</li> </ul>

Narrative summary of objectives	Indicators	Means of verification	Assumptions
<b>Components</b>			
<b>Component 1</b> Confidence in online transactions grows, creating favorable regulatory and operating conditions for operators and users.	<ul style="list-style-type: none"> <li>▪ During the first 6 months, a report is published on the legal framework for e-commerce, with recommendations.</li> <li>▪ By month 8, 100 public- and private-sector representatives are aware of the regulatory issues.</li> <li>▪ By 18 months, the registration authority service has been implemented.</li> <li>▪ By the end of year 3, at least 30 businesses have acquired a digital certificate.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Midterm and final evaluation by the external consultant</li> <li>▪ Progress report and final report from the executing agency</li> <li>▪ MPPMR</li> <li>▪ PCR</li> </ul>	<ul style="list-style-type: none"> <li>▪ The government is willing to work with the private sector.</li> </ul>
<b>Component 2</b> Staff of the CCG and SMEs are better informed about ICTs and e-commerce and have been trained to use them.	<ul style="list-style-type: none"> <li>▪ By 9 months, 5 senior advisors and 15 junior advisors are trained in how to provide services and/or courses to businesses in and outside the country's capital.</li> <li>▪ By 12 months, 500 participants in the capital and 1,500 at affiliates have learned about the use of ICTs and e-commerce.</li> <li>▪ By 12 months, 4 orientation units have been prepared and put into 1 user guide.</li> <li>▪ By 15 months, 100 people in the capital and 150 elsewhere have been trained.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Monitoring reports on groups subject to control (participating and nonparticipating businesses)</li> <li>▪ Midterm and final evaluation by the outside consultant</li> <li>▪ Progress report and final report from the executing agency</li> <li>▪ MPPMR</li> <li>▪ PCR</li> </ul>	<ul style="list-style-type: none"> <li>▪ There are business consultants in and outside the country's capital who are interested in providing ICT-related services.</li> <li>▪ Businesses are willing to participate in cooperation workshops.</li> </ul>

Narrative summary of objectives	Indicators	Means of verification	Assumptions
<p><b>Component 3</b></p> <p>Technical assistance has been provided and ICT and e-commerce services have been developed.</p>	<ul style="list-style-type: none"> <li>By 36 months, diagnostic assessments and ICT deployment plans have been developed for 20 SMEs in the capital, and 30 SMEs located elsewhere.</li> <li>By 12 months, Internet and intermediation services are up and running.</li> <li>By 24 months, 10 businesses per affiliate (150) and 100 in the capital are using these services.</li> <li>By 36 months, 20 businesses per affiliate (300) and 150 in the capital are using these services.</li> <li>By 6 months, 3 sectors have been identified.</li> <li>By 18 months, value-added services for the 3 sectors are up and running.</li> <li>By 36 months, 50 businesses per sector are making online transactions.</li> </ul>	<ul style="list-style-type: none"> <li>Records of contacts with other institutions.</li> <li>Midterm and final evaluation by the outside consultant</li> <li>Progress report and final report from the executing agency</li> <li>MPPMR</li> <li>PCR</li> </ul>	<ul style="list-style-type: none"> <li>Businesses are willing to cofinance technical-assistance consulting services.</li> <li>No new sector initiatives will be implemented that would duplicate the pilot projects.</li> <li>The CCG's affiliates are interested in offering new services to SMEs.</li> </ul>
<b>Activities</b>			
<p><b>Component 1</b></p> <p><b>A. Analysis of the existing legal framework and publication of the findings</b></p> <p>1.1 Publication of the report on the legal framework.</p> <p><b>B. Public/private-sector forum on the legal framework for e-commerce</b></p>	<p>MIF: US\$26,500</p> <p>Local: <u>US\$ 8,000</u></p> <p>Total: US\$34,500</p> <ul style="list-style-type: none"> <li>By 6 months, the report on the legal framework has been published.</li> </ul>	<p>General:</p> <ul style="list-style-type: none"> <li>Midterm and final evaluation by the outside consultant</li> <li>Progress report and final report from the executing agency</li> <li>MPPMR</li> <li>PCR</li> </ul> <ul style="list-style-type: none"> <li>Publication of legal framework analysis</li> <li>Consultant contract</li> </ul>	<ul style="list-style-type: none"> <li>Consultants will be hired at a time that fits with the execution schedule.</li> <li>A legal expert on international e-commerce will be available.</li> </ul>

Narrative summary of objectives	Indicators	Means of verification	Assumptions
<p>1.2 Organization of the forum.</p> <p><b>C. Implementation of a digital certification service (registration authority) and training of CCG staff</b></p> <p>1.3 Preparation of the terms of reference for the digital certification services.</p> <p>1.4 Signing of a registration authority agreement, implementation of the service, and training.</p>	<ul style="list-style-type: none"> <li>By 6 months, the forum has been organized and held.</li> <li>By 10 months, terms of reference have been prepared.</li> <li>By 12 months, a registration authority agreement has been signed.</li> </ul>	<ul style="list-style-type: none"> <li>Record of forum participants</li> <li>Letter of acceptance from the international expert</li> <li>Registry of digital certification companies</li> <li>Terms of reference for digital certification services</li> <li>Reports from consultants in charge of implementation and training</li> </ul>	<ul style="list-style-type: none"> <li>There is interest within the public and the private sector in implementing a digital certification service.</li> </ul>
<p><b>Component 2</b></p> <p><b>A. Awareness-building conferences at the CCG's head office and at affiliate offices</b></p> <p>2.1 Preparation of promotional material for the conferences (brochures and announcements).</p> <p>2.2 Organization of meetings of speakers in and outside the capital.</p> <p><b>B. Preparation of a training guide</b></p> <p>2.3 Design and publication of a training guide.</p> <p><b>C. Training of entrepreneurs/ employees of SMEs in and outside the capital</b></p>	<p>MIF: US\$ 71,700 Local: US\$ <u>48,000</u> Total: US\$119,700</p> <ul style="list-style-type: none"> <li>By 6 months, prepared material is online and offline.</li> <li>Staff of the CCG in the capital and of the affiliates have been educated and trained.</li> <li>By 12 months, the training guide has been designed and published.</li> </ul>	<ul style="list-style-type: none"> <li>Record of participants in conferences held by the CCG and its affiliates</li> <li>Consultant reports</li> </ul>	<ul style="list-style-type: none"> <li>The executing agency has ample experience organizing conferences and fora.</li> </ul>

Narrative summary of objectives	Indicators	Means of verification	Assumptions
<p>2.4 Organization of training courses for entrepreneurs/employees of SMEs.</p> <p><b>D. Training of business advisors</b></p> <p>2.5 Training of 5 senior advisors.</p> <p>2.6 Training of 15 junior advisors.</p>	<ul style="list-style-type: none"> <li>By 20 months, 100 people from the capital and 150 from elsewhere have been trained.</li> <li>By 20 months, 10 courses have been organized.</li> <li>By 12 months, 5 senior advisors have been trained</li> <li>By 16 months, 15 junior advisors have been trained</li> </ul>	<ul style="list-style-type: none"> <li>Record of entrepreneurs/employees trained</li> <li>List of certificates issued</li> <li>Level of participant satisfaction</li> <li>List of participants</li> <li>Participant feedback</li> <li>Training diploma</li> </ul>	<ul style="list-style-type: none"> <li>Entrepreneurs are aware of the importance of ICTs and ask for training.</li> </ul>
<p><b>Component 3</b></p> <p><b>Technical assistance and ICT and e-commerce services.</b></p> <p><b>A. Diagnostic assessments of ICT use and ICT deployment plans for SMEs</b></p> <p>3.1 Methodologies and diagnostic forms.</p> <p>3.2 Diagnostic assessments of businesses in and outside the capital.</p> <p><b>B. Internet, commercial intermediation, and other value-added services provided by the CCG</b></p>	<p>MIF: US\$121,750</p> <p>Local: US\$ 62,650</p> <p>Total US\$184,400</p> <ul style="list-style-type: none"> <li>By 12 months, the methodologies and diagnostic forms have been prepared.</li> <li>By 36 months, 20 assessments performed for businesses in the capital, and</li> <li>By 36 months, 30 assessments performed for businesses outside the capital.</li> </ul>	<ul style="list-style-type: none"> <li>Reports from consultants developing the diagnostic assessment.</li> </ul>	<ul style="list-style-type: none"> <li>The three sectors chosen adapt perfectly to the use of ICTs and e-commerce.</li> <li>Entrepreneurs are interested in deploying ICTs to improve their services.</li> </ul>

Narrative summary of objectives	Indicators	Means of verification	Assumptions
<p>3.3 Creation of the billboard service.</p> <p>3.4 Software development.</p> <p>3.5 Promotion of SME services.</p> <p>3.6 Training of staff from the CCG affiliates.</p> <p><b>C. Development of value-added Internet services in three sectors</b></p> <p>3.7 Analysis and design of industry portals.</p> <p>3.8 Development of 3 individualized platforms, one for each sector.</p> <p>3.9 Training of affiliate staff.</p> <p>3.10 Organization of workshops with businesses from the 3 sectors on promotion methods that target businesses.</p>	<ul style="list-style-type: none"> <li>▪ By 12 months, the billboard service has been developed.</li> <li>▪ By 12 months, billboard software has been developed.</li> <li>▪ Services of SMEs are promoted online and offline.</li> <li>▪ By 12 months, staff from the CCG affiliates have been trained.</li> </ul> <ul style="list-style-type: none"> <li>▪ By 18 months, sector portals have been designed.</li> <li>▪ By 24 months, 3 sector platforms have been developed.</li> <li>▪ By 24 months, staff from the affiliates have been trained.</li> <li>▪ By 32 months, workshops with businesses from the 3 sectors have been organized.</li> <li>▪ By 24 months, promotion activities have been carried out.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Website for the billboard service</li> <li>▪ Record of trainees</li> </ul> <ul style="list-style-type: none"> <li>▪ Active portals</li> <li>▪ Platforms used by entrepreneurs</li> <li>▪ Record of trainees</li> <li>▪ Training diploma</li> </ul>	

CCG PROJECT	Unit Cost	Quantity	3-YEAR TOTAL (36 MONTHS)				CCG	
			MIF	CCG		Subtotal	Counterpart	Subtotal
				In cash	In kind		Amount	%
<b>Component 1: Boost confidence in online transactions by creating favorable regulatory and operating conditions for operators and users.</b>								
<b>A: Analysis of the existing legal framework and publication of the findings</b>								
1.1 Hiring of a local consultant	4,000	1	4,000			4,000	0	
1.2 Publication of the report	1,000	1		1,000		1,000	1,000	
<b>Subtotal</b>			<b>4,000</b>	<b>1,000</b>	<b>0</b>	<b>5,000</b>	<b>1,000</b>	
<b>B: Public/private-sector forum on the legal framework for e-commerce</b>								
1.3 Organization of the forum	2,000	1			2,000	2,000	2,000	
1.4 International speaker (1,500 per diem and 1,000 in fees)	2,500	1	2,500			2,500	0	
<b>Subtotal</b>			<b>2,500</b>	<b>0</b>	<b>2,000</b>	<b>4,500</b>	<b>2,000</b>	
<b>C: Implementation of a registration authority service for electronic signatures</b>								
1.5 Preparation of terms of reference	250	20	0		5,000	5,000		
1.6 Signing of a registration authority agreement, implementation, and training	20,000	1	20,000			20,000		
<b>Subtotal</b>			<b>20,000</b>	<b>0</b>	<b>5,000</b>	<b>25,000</b>	<b>5,000</b>	
<b>Component 1 total</b>			<b>26,500</b>	<b>1,000</b>	<b>7,000</b>	<b>34,500</b>	<b>8,000</b>	<b>6%</b>
<b>COMPONENT 2: Build awareness about ICTs and e-commerce among CCG staff and SME employees and train them in their use</b>								
<b>A. Awareness-building conferences at the CCG's head office and at affiliate offices</b>								
announcements)	5,000	1		5,000		5,000		
2.2 Logistics	1,000	1		1,000		1,000		
2.3 International expert (1,000 in fees, 1,500 per diem)	2,500	1	2,500			2,500		
2.4 2 Logistics of meetings outside Guatemala City	800	15		6,000	6,000	12,000		
2.5 Brochures for meetings outside Guatemala City	200	15		1,500	1500	1,500		
2.6 Meetings of speakers outside Guatemala City (200 in fees, 133 for per diem and travel)	333	15	5,000			5,000		
<b>Subtotal</b>			<b>7,500</b>	<b>13,500</b>	<b>7,500</b>	<b>27,000</b>	<b>21,000</b>	
<b>B. Preparation of a training guide</b>								
2.7 Consulting services to draft 4 units	5,000	4	20,000			20,000		
2.8 Design and publication	1,250	4		4,000	1,000	5,000		
<b>Subtotal</b>			<b>20,000</b>	<b>4,000</b>	<b>1,000</b>	<b>25,000</b>	<b>5,000</b>	
<b>C. Training of entrepreneurs and employees of SMEs (10 courses lasting 2.5 days each for 10 people in the capital and 15 people elsewhere in Guatemala)</b>								
2.9 Trainers' fees outside Guatemala City	400	38	15,000			15,000		
2.10 Trainers' per diem outside Guatemala City	200	15		3,000		3,000		
2.11 Classrooms outside Guatemala City	100	15		3,000		3,000		
2.12 Computer lab rental in 15 places outside Guatemala City	4	750		3,000		3,000		
2.13 Trainers' fees in the capital	400	25	10,000			10,000		
2.14 Classroom and logistics in the capital	200	25			5,000	5,000		
2.15 Computer equipment in the capital	1,200	10	6,000	6,000		12,000		
<b>Subtotal</b>			<b>31,000</b>	<b>15,000</b>	<b>5,000</b>	<b>51,000</b>	<b>20,000</b>	
<b>D. Training of business advisors</b>								
2.16 Training 5 senior advisors (3 days): instructors' fees	400	3	1,200			1,200		
2.17 Training 15 junior advisors (10 days): instructors' fees	400	15	6,000			6,000		
2.18 Travel	50	30	1,500			1,500		
2.19 Student room and board	30	150	4,500			4,500		
2.20 Classroom and logistics	200	10			2,000	2,000		
<b>Subtotal</b>			<b>13,200</b>	<b>0</b>	<b>2,000</b>	<b>15,200</b>	<b>2,000</b>	



CCG PROJECT	Unit Cost	Quantity	3-YEAR TOTAL (36 MONTHS)				CCG	
			MIF	CCG		Subtotal	Counterpart Subtotal	
				In cash	In kind		Amount	%
<b>Component 2 total</b>			<b>71,700</b>	<b>32,500</b>	<b>15,500</b>	<b>119,700</b>	<b>48,000</b>	<b>22%</b>
<b>COMPONENT 3: Technical assistance and services to businesses</b>								
<b>A. Diagnostic assessments of ICT use and ICT deployment plans for SMEs</b>						0		
3.1. Development of diagnostic forms	400	10	4,000			4,000		
3.2 Diagnostic assessments of companies (20 in the capital; 50% of costs)	500	20	10,000			10,000		
3.3 Diagnostic assessments of businesses outside the capital (30 businesses; 65% of total)	500	30	15,000			15,000		
<b>Subtotal</b>			<b>29,000</b>	<b>0</b>	<b>0</b>	<b>29,000</b>	<b>0</b>	<b>5%</b>
<b>B. Internet and business intermediation services and other value-added services provided by the CCG</b>								
3.4 Development of billboard service	5,000	1	3,000		2,000	5,000		
3.5 Servers	8,500	2	8,500	8,500		17,000		
3.6 Computers	1,000	15	7,500	7,500		15,000		
3.7 Housing of servers	200	24		4,800		4,800		
3.8 Software development	4,000	1	4,000			4,000		
3.9 ADSL Internet connection	60	360		21,600		21,600		
3.10 Promotion	7,500	1	3,750		3,750	7,500		
3.11 Training affiliate staff (travel, CCG staff, and logistics)	6,000	1		3,300	2,700	6,000		
<b>Subtotal</b>			<b>26,750</b>	<b>45,700</b>	<b>8,450</b>	<b>80,900</b>	<b>54,150</b>	
<b>C. Development of value-added Internet services in 3 sectors</b>								
3.11 Analysis and design of sector portals	3,000	3	4,500		4,500	4,500		
3.12 Development of the 3 platforms	15,000	3	45,000			45,000		
3.13 Training affiliate staff	1,500	3	4,500			4,500		
3.14 Workshops for businesses in the 3 sectors	2,000	3	3,000		3,000	6,000		
3.15 Digital cameras	250	4		1,000		1,000		
3.16 Promotion	3,000	3	9,000		0	9,000		
<b>Subtotal</b>			<b>66,000</b>	<b>1,000</b>	<b>7,500</b>	<b>74,500</b>	<b>8,500</b>	<b>0%</b>
<b>Component 3 Total</b>			<b>121,750</b>	<b>46,700</b>	<b>15,950</b>	<b>184,400</b>	<b>62,650</b>	<b>33%</b>
<b>PROJECT MANAGEMENT</b>								
Project Coordinator (50%)	2,000	36	72,000			72,000		
Technical Coordinators (3 x 25%)	200	108			21,600	21,600		
Assistant Coordinator	800	36	28,800			28,800		
Accountant, part-time	150	36			5,400	5,400		
Logistics (communications, office rental, electricity, etc.)	500	36			18,000	18,000		
<b>Management subtotal</b>			<b>100,800</b>	<b>0</b>	<b>45,000</b>	<b>145,800</b>	<b>45,000</b>	<b>26%</b>
Midterm evaluation	10,000	1	10,000			10,000		
Final evaluation	15,000	1	15,000			15,000		
Audit	5,000	1	10,000			10,000		
Contingencies	32,000	1	28,000	5,000		33,000		
<b>Management and evaluation subtotal</b>			<b>63,000</b>	<b>5,000</b>	<b>0</b>	<b>68,000</b>	<b>5,000</b>	<b>12%</b>
<b>PROJECT SUBTOTAL</b>			<b>383,750</b>	<b>85,200</b>	<b>83,450</b>	<b>552,400</b>	<b>168,650</b>	<b>100%</b>
<b>MIF and counterpart percentages:</b>			<b>69.47%</b>	<b>15.42%</b>	<b>15.11%</b>	<b>100.00%</b>	<b>30.53%</b>	
Coordination of projects in the ICT Cluster	20,000	1	20,000			20,000		
<b>PROJECT TOTAL</b>			<b>403,750</b>	<b>85,200</b>	<b>83,450</b>	<b>572,400</b>	<b>168,650</b>	

**PROJECTS IN GUATEMALA  
GU-M1002  
SUPPORT FOR E-COMMERCE DEVELOPMENT**

**A. Similar or related MIF projects**

<b>Project number and approval date</b>	<b>Project title, sector, executing agency, and amount</b>	<b>Date signed and original disbursement period in months</b>	<b>Percentage disbursed</b>	<b>Comments: Satisfactory execution or problems with execution, including delays, extensions, reformulation, changes in executing agency, etc.</b>
RG-M1005 21 July 2004	Development of the Mesoamerican Information Highway (AMI) of the Puebla-Panama Plan Comisión Técnica Regional de Telecomunicaciones - COMTELCA \$495,700	Not yet signed		

**B. Similar or related Bank projects**

<b>Project number and approval date</b>	<b>Project title, sector, executing agency, and amount</b>	<b>Date signed and original disbursement period in months</b>	<b>Percentage disbursed</b>	<b>Comments: Satisfactory execution or problems with execution, including delays, extensions, reformulation, changes in executing agency, etc.</b>
GU-0135 13 October 1999	Support for Technological Innovation Consejo Nacional de Ciencia y Tecnología \$10,700,000	2 November 2002	5%	Classified U/P, “yellow flag” Favorable outlook for completion, but slow execution

### C. Projects relating to the same sector or beneficiaries

<b>Project number and approval date</b>	<b>Project title, sector, executing agency, and amount</b>	<b>Date signed and original disbursement period in months</b>	<b>Percentage disbursed</b>	<b>Comments: Satisfactory execution or problems with execution, including delays, extensions, reformulation, changes in executing agency, etc.</b>
ATN/ME-6355-GU-RG 13 January 1999	Electronic Marketing of Handicrafts Asociación para la Promoción del Comercio Equitativo de Centroamérica, México y el Caribe (CRECER) \$604,500	3 March 1999 55 months	79%	Classified S/P Favorable outlook for completion, but slow execution and a 15-month extension.

### D. Similar or related ICT cluster projects

<b>Project number and approval date</b>	<b>Project title, sector, executing agency, and amount</b>	<b>Date signed and original disbursement period in months</b>	<b>Percentage disbursed</b>	<b>Comments: Satisfactory execution or problems with execution, including delays, extensions, reformulation, changes in executing agency, etc.</b>
ATN/ME-7978-CO 24 July 2002	Support for Business Performance Through the Use of Information and Communications Technologies Confederación Colombiana de Cámaras de Comercio \$1,000,000	07/28/03 42 months	18%	Classified S/P. Development outlook favorable (output and outcomes)
ATN/ME-8081-PN	e-Commerce Development Cámara de Comercio, Industria y Agricultura de Panamá \$622,300	01/09/03 42 months	15%	Classified S/P. Development outlook favorable (output and outcomes)

<b>Project number and approval date</b>	<b>Project title, sector, executing agency, and amount</b>	<b>Date signed and original disbursement period in months</b>	<b>Percentage disbursed</b>	<b>Comments: Satisfactory execution or problems with execution, including delays, extensions, reformulation, changes in executing agency, etc.</b>
ATN/MT-8127-CH 4 December 2002	Program to Strengthen Chilean E-Commerce Security and Trust Cámara de Comercio de Santiago \$1,000,000	04/21/03	23%	Classified S/P. Development outlook favorable (output and outcomes)
ATN/ME-8431-BO 10 September 2003	Developing E-Commerce Opportunities for SMEs in the Santa Cruz Region Cámara de Industria, Comercio y Servicios de Santa Cruz (CAINCO) \$626,000	12/02/2003 42 months	8%	Classified S/P. Development outlook favorable (output and outcomes)
ATN/ME-8586-HA 18 December 2003	Online networks for culture, tourism, and commerce in Haiti Peoplink \$470,400	Signed 42 months	20%	The executing agency is in financial difficulty and has suspended the operation
ATN/ME-7956-RG 24 July 2002	Innovation Program for e-Business and SME Development BID \$5,000,000	N/A 52 months	38%	Classified S/P. Development outlook favorable (output and outcomes)
ATN/ME-8762-AR 7 July 2004	Making SMEs in metallurgical sector more productive through ICTs ADIMRA	Signed 42 months	0%	N/A

## PROPOSED RESOLUTION

### Guatemala. Nonreimbursable Technical Cooperation Funding to Support E-commerce Development

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 Cámara de Comercio de Guatemala, 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 funding to support E-commerce development.
2. That up to the amount of US\$403,750, 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.