

PROPOSAL FOR TECHNICAL COOPERATION FUNDING FOR ARTESANÍAS DE COLOMBIA S.A. (ARTCOL)

(TC9812008-CO)

EXECUTIVE SUMMARY

Executing agency:	Artesanías de Colombia S.A. (ARTCOL)	
Amount and source:	IDB: technical cooperation (net income of the FSO/local currency)	US\$250,000 nonreimbursable
	ARTCOL:	<u>US\$480,000</u>
	Total:	US\$730,000
Financial terms and conditions:	Modality:	grant
	Execution period:	36 months
	Disbursement period:	42 months
Objectives:	<p>The general objective of the project is to improve the competitiveness and positioning of the Colombian handicraft sector in domestic and international markets. The project's specific objectives are to: (i) design and develop an integrated information and advisory service system (SIA) for the handicraft sector that will provide timely, relevant, and adequate information to craftworkers to make products that are more competitive; (ii) generate the necessary strategic alliances and agreements with other providers of training, technical assistance, and information services in Colombia to make the sector focus in the delivery of services as effective as possible; and (iii) promote the ongoing association of purchasers and suppliers of handicrafts through the SIA, while ensuring that the latter operates on the basis of financial sustainability criteria.</p>	
Description:	<p>The project provides for the financing of the following components: (i) analysis of demand and of the specific information required by the handicraft sector; (ii) design and development of the SIA, which also involves developing the necessary strategic alliances with other suppliers of information, training, and technical assistance services; and (iii) specialized advisory services for interpretation and transmission of information to craftworkers. The project will also require technical-operational support to ensure that its activities are properly coordinated and that the resources are efficiently managed.</p>	

Environmental classification:	<p>The Committee on Environment and Social Impact (CESI) reviewed this operation at its January 8, 1999, meeting and made recommendations regarding the need to ensure that activities financed with program resources generate information that contributes to improving the environment and the health and safety of the craftworkers. In addition, it recommended that institutional and informational references be provided to the craftworkers through the SIA on environmental matters of relevance to the industry. The CESI's recommendations have been taken into account by the project team in the design of this operation.</p>
Beneficiaries:	<p>There are approximately 260,000 people producing crafts in Colombia, of whom it is estimated that some 6,500 owners of microenterprises and small businesses in the handicraft sector would benefit directly from the project. It is expected that through the SIA services, the craftworkers will be able to become more competitive and position their products more easily in domestic and international markets.</p>
Risks:	<p>The main risk of the project lies in the difficulty of getting the craftworkers, already financially pressed, to commit to paying for services offered by the SIA, in such a way as to ensure continued delivery of such services. This risk is compounded by the traditional culture of subsidies that leads them to expect that nonfinancial services will be highly subsidized by public and private providers. The design of the SIA's services on the basis of handicraft sector demand, and the specialized advisory services for craftworkers, together with Bank involvement through interim evaluations, will serve to offset the risk.</p>
The Bank's country strategy:	<p>This project is consistent with the Bank's strategy in Colombia (country paper of August 1998), which attaches high priority to reducing poverty and inequality through various instruments and activities, including support for improved human capital development and better access to productive assets and services for the more disadvantaged groups.</p>
Special contractual clauses:	<p>It is recommended that the agreement include the following special clauses, in addition to the general contractual clauses:</p> <p>As a condition precedent to the first disbursement of the resources of the technical cooperation operation, Artesanías de Colombia S.A. (ARTCOL) will have agreed with the Bank on the terms of reference and selection of the project coordinator and the consultant in charge of performing a demand analysis and identifying the information requirements for the SIA (see paragraph 5.3).</p>

For the disbursements related to development of the information system, procurement of computer equipment, and the components of specialized advisory services and project coordination and administration, ARTCOL will present evidence to the Bank regarding the existence of demand for the proposed services and the project's financial feasibility (see paragraph 5.4).

The project and ARTCOL will be subject to two interim evaluations. The first will be conducted prior to moving forward with the development of the information system and the procurement of the computer equipment for the SIA, and the second will be conducted 24 months after the signature of the financing agreement (see paragraph 5.9).

For disbursements from the technical cooperation resources to continue, evidence must be presented, to the Bank's satisfaction, that ARTCOL has adopted the corrective measures agreed with the Bank on the basis of the findings of the interim evaluations (see paragraphs 5.11 and 5.13).

By its nature, the program requires that resources be available immediately to finance the entire demand analysis and information requirements component. In addition, to finance the other components, at ARTCOL's request, the Bank may set up a revolving fund containing up to 20% of the total amount for the program proceeds (see paragraph 5.6).