

**DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK
MULTILATERAL INVESTMENT FUND**

COLOMBIA

CATALAYZING THE GROWTH OF PROGRAMA EMPRENDEDOR

(CO-M1021)

DONORS MEMORANDUM

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ABBREVIATIONS

GDP	Gross Domestic Product
IADB	Inter-American Development Bank
IIC	Inter-American Investment Corporation
LAC	Latin America and Caribbean
MFI	Microfinance Institution
MIF	Multilateral Investment Fund
SEIF	Small Enterprise Investment Fund
MSME	Micro, Small and Medium-sized enterprises

CURRENCY UNIT **U.S. DOLLAR (US\$)**

CATALAYZING THE GROWTH OF PROGRAMA EMPRENDEDOR

(CO-M1021)

EXECUTIVE SUMMARY

Executing Agency:	BANCOLOMBIA S.A. (Bancolombia)
Project Number:	CO-M1021
Beneficiaries:	Colombian microentrepreneurs.
Objectives:	The general objective is to expand the provision of financial services to microentrepreneurs in Colombia through regulated financial institutions. The specific objective of the proposed program is to catalyze the massive expansion of Bancolombia's microfinance business line by implementing four components.
Project Cost and Financing:	<ul style="list-style-type: none">• Technical Assistance (Facility IIIA) to Bancolombia of up to US\$180,000;• Counterpart funds of US\$115,000 (40%).
Term:	The general execution period will be 24 months, and the period for disbursement of the technical assistance funds will be 30 months.
Project Description:	The proposed project will support Bancolombia's entry into new geographical areas, strengthen Bancolombia's processes and systems to better adapt them to the specific requirements of microfinance operations, strengthen Bancolombia's internal audit function and, disseminate the lessons learned from its experience. By catalyzing the opening of the new branches, the program will jump-start the "massification" of the Bank's microfinance activities, which are still at an early stage in the roll-out. The project will have important demonstration effects for the region's commercial banks by providing an example of a well-run and profitable microfinance operation within a large and diversified banking institution.
Exceptions to Bank Policy:	None

I. MIF ELIGIBILITY

- 1.1 The Donors Committee declared Colombia eligible for all Multilateral Investment Fund (MIF) financing facilities on October 6, 1993.
- 1.2 The operation was declared eligible to receive financing by the MIF under the Small Enterprise Investment Fund (SEIF) of the MIF, underscoring its contribution to channeling financing to Colombian microentrepreneurs and mitigating the problem of insufficient access to financing on the part of microenterprises.

II. BACKGROUND AND PROGRAM RATIONALE

A. Background

- 2.1 On March 31, 2004 the IDB, as administrator of the Multilateral Investment Fund (MIF) and the Inter-American Investment Corporation (IIC), entered into a Memorandum of Understanding to pursue new mechanisms to provide technical assistance and financing to MSMEs. Specifically, the two organizations agreed to work together to seek out private financial institutions that (1) are willing to commit their own human and financial resources to develop specific MSME finance programs, and, (2) could benefit from a combination of MIF technical assistance and financing from IIC to strengthen their capacity to work with the MSME sector.
- 2.2 The Facility's ultimate goal is to improve the ability of the region's financial system (private banks, finance companies, leasing and factoring companies and others) to increase outreach to micro, small and medium sized companies, and to develop methodologies that enable them to do so effectively and in a cost-efficient fashion.
- 2.3 The MIF believes that one of the most promising ways to make an impact toward this goal is by supporting the top financial sector institutions in each country which are willing to downscale their operations in order to serve micro and SME clients. Partner institutions will be selected for creditworthiness and commitment to financing MSMEs, with appropriate diversification among countries. Selection of financial institution will be based, among other things, on: financial health, corporate governance, innovation of the programs, outreach capacity and commitment to developing a robust MSME program.
- 2.4 This project is one part of a two-part project consisting of: (i) an IIC loan to BANCOLOMBIA S.A. (Bancolombia) aimed at increasing its outreach to the MSME sector; and (ii) a MIF technical assistance designed to speed up the roll-out of the Programa Emprendedor business line. The IIC is in the final negotiation phase of its loan to the Bancolombia Group, which will include Bancolombia,

Suleasing and Suleasing International. Furthermore, the IIC has had a relationship with the Bancolombia Group since 2002, of which the current exposure is US\$ 8.2 million. Through this new coordinated transaction, the IIC and MIF working together will catalyze the *downscaling* of the Bank's operations by increasing its outreach to micro, small, and medium size Colombian companies.

B. Program Background and Rationale

- 2.5 There exist approximately 4.1 million microenterprises in Colombia and an estimated 15 million people are employed in this segment, representing 63% of the country's workforce. As in Mexico and Argentina, the development of the Colombian microfinance industry through formal financial institutions has been slow, but the growth potential is significant. Currently, the main actors in the microfinance market are (i) non supervised specialized NGOs and cooperatives such as the five affiliates of Women's World Banking (WWB) (Cali, Medellin, Popayan, Bogotá and Bucaramanga) and Actuar, and, (ii) regulated financial institutions. Among the regulated institutions, the most active in microfinance are Banco Caja Social and Finamerica. Through the Mipyme law of 2004, the government has sought to increase the formal financial sector's participation in microfinance activities by channeling increased funds to microentrepreneurs. To that end, it has established agreements with commercial banks to provide US\$130 million annually to microcredit.
- 2.6 Estimates suggest that approximately 70% of Colombia's population is not "bankarized". Despite the continuing growth and professionalization of the non-regulated microfinance institutions as well as the continued focus of the government, the best hope for the Colombian microfinance industry to reach more clients is for the *downscaling* of formal institutions into the sector.
- 2.7 Bancolombia is the country's largest bank, with approximately 12% of market share. Although the Bank has traditionally focused on large and medium corporations, it stands out among other Colombian banks because of its increasing focus on serving the smaller end of the market as well as retail clients.
- 2.8 In March 2003, Bancolombia began exploring the possibility of launching a microfinance line of business that could leverage the Bank's strong presence throughout the country (367 branches and more than 1000 ATMs), its array of financial products (savings and credit products, debit cards, remittance services etc.), and the banks's strong brand name. At the time, Bancolombia already had a significant base of approximately 140,000 clients who were microenterprises¹ but whom the Bank failed to recognize as microentrepreneurs, instead considering them as consumer finance clients. In that sense, the Bank could not serve these clients with appropriate financing products best suited to their needs, and indeed only 19% of these clients were loan recipients.

¹ Defined as micro entrepreneurs with 10 or fewer employees, assets of less than US\$76,000 and maximum sales of US\$107,000.

- 2.9 Bancolombia started its pilot microfinance program, known as *Programa Emprendedor*, in March 2004, aiming to serve individuals and businesses with sales of up to US\$109,000, fewer than 10 employees and assets worth no more than US\$83,000. As a result of the program's initial success, Bancolombia expanded the pilot to an additional three cities (Cali, Medellín and Barranquilla), thereby reaching out to 28% of the country's population with a total of eleven branches and 80 loan officers.
- 2.10 In the past year, the growth momentum has continued to be strong. In the first 19 months of operations the microfinance loan portfolio reached US\$ 9.8 million with 10,065 clients, an average loan size of US\$980, and an average loan term of 13.5 months. On the liabilities side, average savings per client were US\$96 for a total of US\$968,000. Every microfinance client receives a debit card and a savings account and a loan insurance product and almost half of them also sign up for the bank's life insurance products. 46% of the *Programa Emprendedor* clients are first time users of banking services² and 47% of them are women.
- 2.11 So far, only 15% of *Programa Emprendedor* clients are previous Bancolombia clients. Contrary to expectations, it has proven faster to access new clients through personal contacts by loan officers "on the ground" rather than through focused efforts with pre-identified Bancolombia clients. Furthermore, *Programa Emprendedor* opened its first agencies in areas where Bancolombia did not have an established presence, so brand new clients had to be recruited. Bancolombia intends to work harder to increase the number of existing Bancolombia clients to access *Programa Emprendedor* in the future.
- 2.12 In addition to the basic portfolio of products (loans, savings accounts, debit cards, insurance) the *Programa Emprendedor* also offers remittance services. In the future, the bank is planning to launch more sophisticated products like pension products, credit cards, home improvement loans and mortgages. As of November 2005, each *Programa Emprendedor* client is purchasing 3.47 financial products from Bancolombia (cross-selling indicator). Bancolombia uses loan officers to cross-sell complementary products because they consider that the loan officers' close relationship with and understanding of their clients' needs makes them the best sales channel through which to market the complete range of financial products.
- 2.13 Indeed, Bancolombia's microfinance business model differs from those of institutions such as the Women's World Bank affiliates that have traditionally been considered the benchmark for microfinance operations in Colombia. Bancolombia's heavier cost structure – especially its higher personnel costs³ –

² Although the percentage of *Programa Emprendedor* clients who were already "banked" is higher than the *banking* level for the population at large, Bancolombia's experience indicates that these clients had typically been consumer credit card customers, but that not many had had prior access to other micro finance institutions.

³ *Programa Emprendedor's* personnel costs are significantly higher than other microfinance institutions because higher benefits and more rigid labor contracts that apply throughout the institution.

makes it difficult to be profitable serving the very small segment of microentrepreneurs. Indeed, whereas WWB affiliates make loans as small as US\$100 and have average loan sizes of US\$500, *Programa Emprendedor*'s loans start at US\$400 and average approximately US\$1,000. Instead, Bancolombia's business model leverages the Bank's ability to offer a variety of financial products and relies on the ability to cross-sell other products in addition to pure microloans.

- 2.14 The *Programa Emprendedor* currently employs a manager, 6 area coordinators, 1 analyst, 81 loan officers and 20 sales and collections auxiliaries. The microfinance program has been organized as a separate organizational unit under the Bank's Retail and SME division and is one of Bancolombia's seven Business Lines, including: Personal banking, Private banking, SME banking, Corporate banking, Government banking and Mortgage banking.
- 2.15 Since *Programa Emprendedor*'s business model is centered around cross-selling opportunities and taking advantage of the Bank's existing infrastructure, Bancolombia preferred to incorporate the microfinance arm as an organizational unit within the bank rather than create an independent subsidiary. In addition, according to Colombian law, transactions between affiliates are subject to a 16% tax, which would have been very costly had a subsidiary structure been set up. Nevertheless, Bancolombia recognizes the differences between the microfinance segment and the other areas of the Bank and gave the *Programa Emprendedor* unit direct reporting lines to the Bank's Vice-Presidency in order to limit possible conflicts with other bank units.
- 2.16 Bancolombia will continue to serve as second tier lender to Colombia's microfinance institutions. Indeed, since the second-tier product and the microfinance product are administered by different business areas using different credit methodologies and representing different risk categories for the institution overall, there is no operational rationale for eliminating one in favor of the other.
- 2.17 Bancolombia is clearly committed to developing a world-class microfinance operation. Its full engagement with the *Programa Emprendedor* is demonstrated by its heavy investment in technology, infrastructure and personnel development. The bank has also proven that it is determined to set in place best-practices in their microfinance operations. To that end, it has commissioned a study by a specialized consultancy that reviewed the initial results of the *Emprendedor* program, identified strengths and critical shortcomings and developed a strategic plan to support the scaling up of the program. The study identified three main areas that need attention. These areas are: systems, internal control and risk management, and the Bank is already working towards making a number of the recommended changes. Indeed, this project is not intended to replace Bancolombia's existing efforts at improving the quality of its microfinance offering and its central aim is not one of institutional strengthening.
- 2.18 Now that the opening phase of the *Programa Emprendedor* is complete, the next stage will focus on scaling up the microfinance activities in order to reach out to

the country's entrepreneurs in a massive way. The proposed technical assistance program is aimed at catalyzing this process by supporting Bancolombia's entry into five new geographical markets. In addition, the program intends to disseminate the experience and lessons learned from the Bancolombia case as a model for other financial institutions in the region to replicate.

III. PROGRAM OBJECTIVES AND DESCRIPTION

A. Objectives

- 3.1 The general objective is to expand the provision of financial services to microentrepreneurs in Colombia through regulated financial institutions. The specific objective of the proposed program is to catalyze the massive expansion of Bancolombia's microfinance business line by implementing four components: (i) supporting Bancolombia's entry into new geographical areas; (ii) strengthening Bancolombia's processes and systems to better adapt them to the specific requirements of microfinance operations; (iii) strengthening Bancolombia's internal audit function; and, (iv) disseminating the lessons learned from its experience. By catalyzing the opening of the new branches, the program will jump-start the "massification" of the Bank's microfinance activities, which are still today, at an early stage in the roll-out. The project will have important demonstration effects for the region's commercial banks, by providing an example of a well-run and profitable microfinance operation within a large, diversified banking institution.
- 3.2 Like any early-stage organization, Bancolombia's microfinance program has a long way go to attain the operating know-how and achieve the efficiency and profitability indicators of its well-established competitors⁴. Nevertheless, the institution has been very seriously investing in improving its operating performance and has budgeted US\$900,000 to make institutional improvements in 2006. This project does not intend to substitute these activities but rather to complement them with an effort aimed at ensuring a sustained growth rate and expansion to geographical areas where there is greater need for financial services.
- 3.3 With the MIF's support, Bancolombia will open an additional 5 branches tentatively identified as the cities of Armenia, Manizales, Pereira, Bucaramanga and Ibagué. By doing so, the bank will reach out to a potential 224,000 microentrepreneurs⁵. The following table illustrates the important deficit in the provision of financial services to these cities' microentrepreneurs. As of today, Bancolombia is only reaching 5.7% of the potential market, and of those, only 12.7% have obtained loans.

⁴ Indeed, no loan officer has more than 20 months experience. On average, each loan officer has added 16 new clients per month making an overall average of 125 clients per loan officer today. Nevertheless, over time, each loan officer's portfolio will increase and Bancolombia projects that it will plateau at approximately 300-400 clients per loan officer.

⁵ Assuming an average of 10% microentrepreneurs in population

City	Total Population	Potential Micro-enterprises	Existing Bancolombia Clients ⁶	Bancolombia Penetration	Bancolombia Credit Clients	% Clients with Loans
Bucaramanga	550,650	55,065	4,605	8.4%	717	15.6%
Ibague	485,229	48,523	2,652	5.5%	348	13.1%
Pereira	471,261	47,126	2,057	4.4%	204	9.9%
Manizales	435,431	43,543	2,071	4.8%	243	11.7%
Armenia	296,722	29,672	1,277	4.3%	95	7.4%
TOTAL	2,239,294	223,929	12,662	5.7%	1,607	12.7%

- 3.4 In these five new branches, Bancolombia's conservative projections predict that it will reach almost 8,000 new microfinance clients by the sixth year of operations and a portfolio of nearly US\$4.5 million.

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
# Loan Officers	25	40	40	40	40	40
# Clients	1,397	4,560	6,656	7,356	7,565	7,997
Total Portfolio (US\$000)	873	2,447	3,612	4,033	4,191	4,477

B. Description

- 3.5 The proposed program will have the following budget:

Components	Financing (US\$)		
	MIF	Counterpart	Total
1. Component I: Recruitment and training of loan officers	\$90,000	\$30,000	\$120,000
2. Component II: Strengthening loan portfolio administration	\$60,000	\$70,000	\$130,000
3. Component III: Strengthening internal audit function	\$7,500	\$7,500	\$15,000
4. Component IV: Dissemination of lessons learned	\$12,500	\$7,500	\$20,000
5. Evaluation and Audit	\$10,000	\$0	\$10,000
Total	\$180,000	\$115,000	\$295,000

- 3.6 **Component I: Recruitment and training of loan officers.** The program will finance the recruitment and training of 8 new loan officers in each of the 5 new microfinance branches in credit analysis techniques. The training will be conducted in-house, through on-the-job activities and shadowing of more senior loan officers during the first three months that the loan officer is on the job. (See Annex IV for detailed training plan). This methodology was developed by Bancolombia and has proven to be very successful with the first group of loan

⁶ In the "micro" size range

officers that were trained. All of the loan officers financed through the program will be hired according to IDB policies and procedures⁷.

- 3.7 **Component II: Strengthening loan portfolio administration.** The program will include a component aimed at strengthening the administration of the microfinance loan portfolio since this will be critical for the successful ramp-up of operations. Under this component, the technical assistance will finance the purchase of software that will support three main functions: (1) Support for credit requests and approvals (including systems to capture credit information, customer relationship management tools, loan administration and credit scoring tools); (2) Collections management (including a system of alarms to alert loan officers, evaluate default risk, and maximize the efficiency of collections activities). Under this activity, the program will also finance the purchase of handheld devices for Bancolombia's existing loan officers as well as the 40 new officers to be trained by the program. The devices will improve the efficiency with which the loan officers can collect and process credit requests as well as carry out collections activities; and (3) Client segmentation tools (such as for targeting credit renewal candidates, identifying potential clients that are likely to be declined etc.).
- 3.8 **Component III: Strengthening internal audit function.** The technical assistance will finance the hiring of an expert to develop an audit and control program tailored to the characteristics of a microfinance operation as well as to train Bancolombia's team of internal auditors in microfinance methodologies. This is especially important considering that the audit methodology traditionally used by the bank will be inadequate in light of the expected scaling up of operations.
- 3.9 **Component IV: Dissemination of lessons learned.** The MIF will set aside a portion of the technical assistance funds to prepare and publish a lessons-learned document. In addition, the component will finance two events to be organized in conjunction with the IDB aimed at disseminating Bancolombia's experience to other financial institutions. The events will take place 12 and 24 months after the implementation of the program. The events shall be timed to coincide with industry gatherings in order to attract the largest number of participants.

C. Monitoring and Evaluation

- 3.10 **Monitoring reports.** Bancolombia will deliver all project progress reports to the Bank's Country Office within 60 days after the end of each six-month period, and a final report within 60 days after the last disbursement. The reports will adopt a format previously agreed upon with the Bank and include a work plan and disbursement schedule for the following six-month period. They will address all project activities and funding to date and describe outcomes measured according

⁷ Similar technical assistance structures were approved and implemented in the past in the Financiera Ecuatorial (MIF/AT-449) and FIE Gran Poder (MIF/AT-555) projects.

to the indicators and means of verification given in the logical framework for the project. The Bank will use these reports to keep track of project execution and to prepare the project completion report (PCR), which must be drawn up by the Bank's specialist within 90 days after the last disbursement. The executing agency will assign a program manager to manage the project implementation and preparation of project monitoring reports.

- 3.11 Evaluation. The midterm evaluation will be contracted once 50% of the MIF contribution has been committed and will be performed by a consultant selected and hired directly by the Bank. This evaluation will review at least: (i) performance of the logical framework indicators; (ii) progress made on project execution; (iii) counterpart contributions in line with the budget. Based on the evaluator's recommendations, the Bank and the executing agency will agree on corrective action to ensure proper execution of the project.
- 3.12 The final evaluation will be carried out once 100% of the MIF funds have been disbursed. It will analyze: (i) the extent to which the program's specific purposes and objectives have been met; (ii) Programa Emprendedor customer satisfaction, as determined by a survey; (iii) the level of commitment of the executing agency to keep growing the program once the MIF contribution ends; and (iv) the degree to which this downscaling model was successful and replicated by other regional financial institutions.

D. Executing Mechanism

- 3.13 The technical assistance funds shall be disbursed based on achieved milestones. Specifically, the disbursement mechanism shall be as follows: 33% upon opening of 2 branches and completion of the training program for 16 loan officers; 33% upon opening of 4 branches and completion of training program for 32 loan officers; 33% upon opening of 5 branches and completion of training program for 40 loan officers. All expenditures below US\$40,000 shall be reviewed on an ex-post basis. The standard conditions prior will be required from the executing agency prior to disbursement (i.e., workplan with disbursement timetables, hiring and procurement plans and consultant terms of reference). The general execution period will be 24 months, and the period for disbursement of the technical assistance funds will be 30 months. The Bank will recognize as part of the local contribution expenditures incurred by the executing agency starting from the date of approval of the project by the Donors Committee.

E. Performance Indicators

- 3.14 The following results are expected to be achieved through the execution of the proposed project (see Annex II Log Frame):

Indicators	Baseline	Projections		
		Year 1 2006	Year 2 2007	Year 6 2011

No. Active Clients	10,065	20,000	30,000	52,000
Portfolio (\$'000)	US\$9,800	US\$20,000	US\$30,000	US\$50,000
No. Active Clients (5 New Agencies)	NA	1,400	4,500	8,000
Portfolio (\$'000) (5 New Agencies)	NA	US\$900	US\$2,500	US\$4,500
No. Clients/Officer	125	175	200	300
Active Portfolio/ Officer	US\$70,000	US\$100,000	US\$120,000	US\$180,000
Arrears (30 days)	3%	<3%		
Cross Selling Ratio	3.5	4	4.5	5
Profit/Client/Year	US\$84	US\$92	US\$100	US\$150

F. Environmental and Social Considerations

- 3.15 Bancolombia's microfinance arm does not directly carry out activities which could have a negative environmental impact. Nevertheless, its clients could operate in businesses that are detrimental to the environment. Bancolombia's average loan size is under US\$1,000. In order to mitigate potential environmental risks, the MIF will ensure that the following requirements are met: (i) at least one Bancolombia employee will participate in a training course of management of environmental risks organized by the IIC and the IFC; (ii) the MIF will provide Bancolombia with a list of restricted industries that are not eligible for financing with MIF resources unless a risk mitigation plan is in place. This plan will be required for loans in excess of US\$5,000; and, (iii) Bancolombia will be required to comply with Colombian environmental and social legislation.

IV. EXECUTING AGENCY

- 4.1 Bancolombia is the largest bank in Colombia, providing a wide range of services to corporate, middle market and retail clients. The bank has assets of US\$7.6 billion. The bank weathered the 2000 banking crisis and emerged with a cleaned-up balance sheet and a healthy capital position. The Bank has performed very well in recent years thanks to strong growth in its loan portfolio and securities related revenue, and this has allowed Bancolombia to consistently outperform its peer banks.
- 4.2 Bancolombia is in the process of implementing its merger with Conavi, a specialist mortgage bank with assets of US\$1.9 billion, and Corfinsura, the largest financial company in Colombia with assets of US\$1.76 billion. Together, the merged entities will be able to improve their operating efficiency and concurrently increase the quality and scope of the services they provide to their customers. The largest shareholders in Bancolombia are Suramericana de

Inversiones and Compania de Cementos Argos. Minority investors hold the remaining shares.

V. EXCEPTIONS TO BANK POLICY

5.1 None.

Annex I

Catalyzing the Growth of Programa Emprendedor

CO-M1021

Project No.	Group/Subgroup	Project Name	MIF Amt.	Total Amt.	Disb.%	Donors Committee
CO-M1015		Development of SME Suppliers Cluster with Large Petroquimical Companies	\$100,000	\$276,185		
CO-M1014		Commercial Linkages Between Food Microenterprises and Large Supermarkets	\$100,000	\$231,000		
CO-M1013		Standarization and Normalization of Panela Industry in the Rio Suárez Region	\$100,000	\$207,300		
TC9407108	WSD LTRP					
TC9308091	WSD DIWK	Enterprises Learning	\$1,703,000	\$2,384,855	100%	06/29/1994
TC9601338	WSD SKIL	Technical Training for Paper Industry	\$1,900,000	\$6,067,750	100%	06/10/1998
TC9805419	MIC MCRO	Counseling and Tec. Assistance Serv. Mic	\$1,800,000	\$3,000,000	100%	10/30/1998
TC9811013	MIC COOP					
TC9308158	MIC COOP	Strengthening of Credit Union System	\$1,415,000	\$2,360,000	100%	12/07/1998
TC9305261	INF RGRY**	Subsidize Health Programs	\$630,000	\$1,040,940	100%	05/12/1999
TC9907024	MIC MFIS**	Accounting & Fin. Homogenitation for Inr	\$330,000	\$580,000	100%	09/17/1999
TC9310054						
TC9310046						
TC9310038						
TC9310020						
TC9307499						
CO0153						
CO0150						
CO0149						
CO0147						
CO0031		Support Fund.mundial Mujer Popayan	\$4,400,000	\$7,400,000	100%	12/08/1993
TC9906026	SME ISOS*	Strengthening Small & Medium Enterprises	\$1,231,000	\$2,445,000	100%	11/10/1999
TC9904049	MIC MCRO	Agricultural Assistance Valle del Cauca	\$640,000	\$1,038,000	100%	11/10/1999
TC9904001	MIC MFIS**	Trading Co for Microentepre. Atlantico	\$850,000	\$1,570,000	98%	06/14/2000
TC0003003	MIC MFIS**	Operational Efficiency Improv: (awwb)	\$500,000	\$840,000	100%	06/15/2000
TC9905047	SME RGRY*	Streamline Administrative Process Private Sector	\$1,900,000	\$3,100,000	100%	10/25/2000
TC9307043	SME BDCT	Sme Productive Development Centers	\$5,966,641	\$7,194,547	100%	04/18/1995
TC9911104	SME TECH*	Agrobusiness "uva Isabella" Project	\$1,111,947	\$1,851,972	100%	11/01/2000
TC0010027	INF PRIV	Potable Water Bucaramanga	\$900,000	\$1,500,000	13%	11/29/2000
TC0003033	SME TECH*	Internet Based Export Information System	\$1,500,000	\$3,000,000	69%	12/06/2000
TC0005006	ENV CPRO*	Environmental Mgm. Clean Technologies	\$1,423,000	\$2,371,000	100%	12/13/2000
TC0006003	MDF TRIN*	Promotion Foreign Investment	\$900,000	\$1,500,000	74%	04/25/2001
TC0103005	MIC MFIS**	Inst.strengthening Financiera Compartir	\$210,000	\$350,000	100%	08/09/2001
TC9308116	MDF MARB	Mediation and Arbitration Program	\$1,220,000	\$1,808,000	100%	05/24/1995
TC0103004	MIC MFIS**	Institutional Strengthening of Finamerica, S.A.	\$300,000	\$500,000	100%	01/18/2002
TC0109022	FCD CDVP	Strengthening Capital Markets	\$1,018,300	\$2,036,600	27%	02/20/2002
TC0106004	SME PINT*	Business Linkages in the Garment Industry	\$1,100,000	\$1,850,000	31%	05/01/2002
TC0108007	MIC COOP	Promotion of Cooperative Ventures between Firms	\$1,092,400	\$1,829,900	92%	05/01/2002
TC0106010	SME TECH*	Support Business Performance through the Use of Information & Co.Technologies	\$1,000,000	\$1,970,000	88%	08/07/2002
TC9308108	WSD LTRP	Female Heads of Households Training Prog	\$3,500,000	\$5,500,000	78%	11/27/1995
TC0210074	INF ASEC**	Strengthening of Airport Security	\$500,000	\$835,000	40%	01/24/2003
TC0106021	SME BDEV	Jewelry Sector Competitiveness Program	\$375,000	\$717,000	29%	02/21/2003
TC9503229	INF RGRY**	Strength.comision Reguladora Agua y San.	\$990,000	\$1,700,000	100%	09/27/1995
CO-M1001	WSD YTRG	Promotion of Youth Entrepreneurship in Colombian	\$1,050,000	\$2,100,000	10%	01/21/2004
CO-M1002	SME PINT*	Program to Support Clusters Competitiveness	\$3,450,000	\$5,980,000	10%	08/04/2004

TC0305015	MDF PROC	SME Participation in Procurement by State-Owned Enterprises	\$720,000	\$1,215,800	10%	10/13/2004
CO-M1003	SME CSOR*	Program to Institute Corporate Social Responsibility Practices in PYMES	\$1,160,000	\$1,900,000		12/01/2004
CO-M1011	SMF MCRO					
CO-M1010	SMF MCRO					
CO-M1009	SMF MCRO					
CO-M1008	SMF MCRO					
CO-M1007	SMF MCRO	Expansion Financial Services Coverage to SMEs through Microfinance Ins. WWB	\$6,610,000	\$7,025,000		12/08/2004
CO-M1017		Positioning of New Companies in the Capital Market	\$790,000	\$1,325,000		10/12/2005
TC9307051	INF RGRY**	Streng.of Energy Regulation Commission	\$1,627,000	\$1,777,000	100%	03/30/1994

ANNEX II: LOG FRAME

CATALYZING THE DOWNSCALING OF PROGRAMA EMPRENDEDOR (CO-M1021)

NARRATIVE SUMMARY	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
GOAL	IMPACT		SUSTAINABILITY
Expand the provision of financial services to microentrepreneurs in Colombia through regulated banking institutions.	<p>After the conclusion of the project:</p> <p>At least a 50% increase in the number of microfinance clients that will be served by Colombian regulated banking institutions throughout the country. Bancolombia will have opened an additional 13 branches and 30 auxiliary branches.</p>	<ul style="list-style-type: none"> Banking industry reports MIF evaluation report. 	Monetary, fiscal, and foreign trade policies do not adversely affect loan demand from the microenterprise sector, or stability of financial system, for a significant period of time.
PURPOSE	OUTCOMES		PURPOSE TO GOAL
Catalyze the massive expansion of Bancolombia's microfinance product line.	<p>At the conclusion of the project the following outcomes will be verified:</p> <ul style="list-style-type: none"> Bancolombia will have opened 5 new branches, reaching a portfolio of US\$2.5 million and 4,500 clients in those branches Portfolio quality is adequate and meets Bancolombia standards (maximum arrears of 3% at 1-day past due) High loan officer productivity (at least 300 clients and US\$180,000 in active portfolio per loan officer on average) 	<ul style="list-style-type: none"> Bancolombia semi-annual and final project report. Mid-term and final MIF evaluation report by external consultant. PCR 	There continues to be a strong demand for microfinance products.
COMPONENTS	OUTPUTS		OUTPUTS TO PURPOSE
<i>Component 1. Recruitment and training of loan officers.</i>	<p><i>At the end of year 1:</i></p> <ul style="list-style-type: none"> 40 loan officers recruited and trained. Adequate loan officer retainment, with a loss of no more than 2 of the 40 new loan officers Loan officer productivity is improving and meets Bancolombia standards (at least 175 clients and US\$100,000 in active portfolio per loan officer on average) <p><i>At end of year 2:</i></p> <ul style="list-style-type: none"> Adequate loan officer retainment, with a loss of no more than 4 of the 40 new loan officers 	<ul style="list-style-type: none"> Bancolombia semi-annual and final project report. Mid-term and final MIF evaluation report by external consultant. PPMR 	<ul style="list-style-type: none"> Bancolombia is able to identify additional suitable loan officer candidates in a timely manner. There continues to be a strong demand for microfinance products. Bancolombia continues to be a healthy financial institution, overall.

NARRATIVE SUMMARY	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
	<ul style="list-style-type: none"> Loan officer productivity is improving and reaches the target rate of at least 200 clients and US\$120,000 in active portfolio per loan officer on average. 		
<i>Component 2: Strengthening of Loan Portfolio Administration</i>	<p><i>At the end of year 1:</i></p> <ul style="list-style-type: none"> Loan administration, collections, and clients segmentation software for microfinance operations has been acquired, installed, and is operational. <p><i>At the end of year 2:</i></p> <ul style="list-style-type: none"> Bancolombia's loan administration, collection and client segmentation processes have been enhanced leading to rapid loan approvals (average number of days) 	<ul style="list-style-type: none"> Bancolombia semi-annual and final project report. Mid-term and final MIF evaluation report by external consultant. PPMR 	<ul style="list-style-type: none"> New systems are robust enough to withstand scaling up of operations.
<i>Component 3: Development of audit and control program and training of internal auditors.</i>	<p><i>At the end of year 1:</i></p> <ul style="list-style-type: none"> Audit and control program for microfinance institutions has been developed and implemented. Internal auditors have been trained in microfinance methodologies. <p><i>At the end of year 2:</i></p> <ul style="list-style-type: none"> Audit program has been executed successfully (including auditing credit processes, market risk, liquidity risk etc.) with appropriate enhancements made as necessary. 	<ul style="list-style-type: none"> Bancolombia semi-annual and final project report. Mid-term and final MIF evaluation report by external consultant. PPMR 	<ul style="list-style-type: none"> Bancolombia continues to assign appropriate value to internal audit function (incl. independence, access to information etc.).
ACTIVITIES	INPUTS		ACTIVITIES TO OUTPUTS
<i>Component 1. Technical assistance grant for recruitment and training of loan officers.</i>			
Recruitment and Training	Recruitment and training carried out as per Bancolombia's proven methodology. Essentially all candidates are hired permanently as Bancolombia loan officers.	<ul style="list-style-type: none"> Bancolombia semi-annual project report Interviews with candidates 	<ul style="list-style-type: none"> Bancolombia has a proven recruitment and training methodology Bancolombia has been able to find motivated and committed candidates
<i>Component 2: Strengthening of Loan Portfolio Administration</i>			

NARRATIVE SUMMARY	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
Acquire and install loan administration, collections and client segmentation tools	New software and hardware purchased and installed. Customization of all new systems within existing platform.	<ul style="list-style-type: none"> • Bancolombia semi-annual project report. • Purchase receipts. 	<ul style="list-style-type: none"> • Appropriate technology has been identified and installed in a timely manner.
<i>Component 3: Development of audit and control program and training of internal auditors.</i>			
<p>Development of new internal audit manuals for Bancolombia</p> <p>Develop staff training manuals</p> <p>Strengthen internal controls for Bancolombia</p>	<p>Existing internal audit procedures evaluated. Internal audit manuals developed.</p> <p>Internal auditors training needs assessment conducted. Training manuals developed.</p> <p>Internal auditor and staff in charge of internal control trained using new policies and procedures manuals.</p>	<ul style="list-style-type: none"> • Bancolombia semi-annual project report. • Consultant reports. 	<ul style="list-style-type: none"> • Timely contracting compatible with the project execution timetable.

Annex III

Catalyzing the Growth of Programa Emprendedor

CO-M1021

Components	MIF US\$	Counterpart US\$	TOTAL US\$	
Component I: Recruitment and training of loan officers	90,000	30,000	120,000	50%
Recruitment and training of 40 loan officers	90,000	30,000	120,000	
Component II: Strengthening loan portfolio administration	60,000	70,000	130,000	33%
2.1 Support for credit requests and approvals	15,000		15,000	
2.2 Collections management	25,000		25,000	
2.3 Client segmentation tools	20,000		20,000	
2.4 Handheld devices		70,000	70,000	
Component III: Strengthening internal audit function	7,500	7,500	15,000	4%
3.1 Develop audit and control program	5,000	5,000	10,000	
3.2 Define and carry out training program for internal audit staff	2,500	2,500	5,000	
Component IV: Dissemination of lessons learned	12,500	7,500	20,000	7%
4.1 Preparation of lessons learned document	7,500	2,500	10,000	
4.2 Dissemination events	5,000	5,000	10,000	
SUB TOTAL	170,000	115,000	285,000	
Evaluation and Audit	10,000		10,000	6%
TOTAL	180,000	115,000	295,000	
Percentages	60%	40%	100%	

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK
MULTILATERAL INVESTMENT FUND

PROPOSED RESOLUTION MIF/DE-___/05

Colombia. Nonreimbursable Technical Cooperation ATN/ME-___-CO
Catalyzing the Growth of Programa Emprendedor

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 BANCOLOMBIA S.A., 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 technical cooperation for catalyzing the growth of Programa Emprendedor.

2. That up to the amount of US\$180,000, or its equivalent in other convertible currencies, shall be authorized for the purpose of this resolution, chargeable to the technical cooperation 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.

LEGIII/CO-637424-05
CO-M1021