

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK  
MULTILATERAL INVESTMENT FUND  
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<b>AGENDA</b>
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MIF/AT-250  
27 April 1999  
Original: Spanish

**To:** The Donors Committee

**From:** The Secretary

**Subject:** Guatemala. Nonreimbursable technical-cooperation funding for a program for institutional strengthening and policy development in support of microenterprise and small and medium-sized enterprise (MSME) in Guatemala

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**Basic information:** Beneficiary ..... Republic of Guatemala  
Amount ..... up to US\$900,000 equivalent  
Source ..... Technical Cooperation Facility

**Agenda:** Donors Committee, at a forthcoming meeting

**Inquiries to:** Mrs. María Victoria Sáenz de Lleras (extension 3002)

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**Other distribution:** Prospective donors, IDB Board of Executive Directors, IIC Board of Executive Directors, IDB Managers, IIC Managers, IDB Representative in Guatemala

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

**PROGRAM FOR INSTITUTIONAL STRENGTHENING AND  
POLICY DEVELOPMENT IN SUPPORT OF MICROENTERPRISE AND  
SMALL AND MEDIUM-SIZED ENTERPRISE (MSME) IN GUATEMALA**

**(TC-98-05-44-3)**

**DONORS MEMORANDUM**

This document was prepared by the project team made up of: Bibiana Vásquez (MIF); Cristina Price (LEG/OPR); Diego Buchara (LEG/OPR); Enrique Tarud (COF/CGU); Miguel Cabal (consultant); and María Victoria Sáenz de Lleras (SDS/MIC), Project Team Leader. Ana María Rodríguez (RE2/FI2) collaborated on the document, and her comments were appreciated.

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# **ABBREVIATIONS**

AECI	Agencia Española de Cooperación Internacional [Spanish Agency for International Cooperation]
CABEI	Central American Bank for Economic Integration
MIF	Multilateral Investment Fund
MINECO	Ministerio de la Economía [Ministry of the Economy]
MSME	Microenterprise, and small and medium-sized enterprise
NGO	Nongovernmental organization
USAID	United States Agency for International Development

**LIST OF ANNEXES**

Annex I   Logical framework

**LIST OF APPENDICES**

Proposed resolution

**ANNEXES AVAILABLE IN THE PROJECT TECHNICAL FILES**

1. Various functions of the program execution structure
2. Terms of reference for international advisor, project director, and area consultants
3. Project operational activities
4. Itemized budget

**PROPOSAL FOR TECHNICAL COOPERATION FOR THE  
GOVERNMENT OF GUATEMALA THROUGH THE  
MINISTRY OF THE ECONOMY**

**PROGRAM FOR INSTITUTIONAL STRENGTHENING AND POLICY DEVELOPMENT  
IN SUPPORT OF MICROENTERPRISE AND SMALL AND MEDIUM-SIZED ENTERPRISE  
(MSME) IN GUATEMALA**

(TC-98-05-44-3)

**EXECUTIVE SUMMARY**

**BENEFICIARY:** Republic of Guatemala

**EXECUTING AGENCY:** Ministry of the Economy (MINECO)

**BENEFICIARIES:** Microenterprises and small and medium-sized enterprises (MSMEs) in Guatemala.

**OBJECTIVES:** The objective of the project is to contribute to organization of the microenterprise and small and medium-sized enterprise sector in Guatemala, through coordination and consensus-building by the public and private sectors, by providing a framework for discussion and agreement on specific sector policies.

**DESCRIPTION:** The specific objectives of the project are to:  
(i) identify unmet needs and any oversupply of support programs for the various types of MSMEs;  
(ii) identify institutional and legal obstacles to sector development; (iii) establish policy guidelines for the MSME sector with the support of private-sector stakeholders in Guatemala; and (iv) formulate policies through government decrees or draft legislation.

**FINANCING:**

Modality:	Grant
Ministry of the Economy:	US\$ 400,000
MIF (Window I):	<u>US\$ 900,000</u>
Total:	US\$1,300,000

**EXECUTION SCHEDULE:**

Execution period:	18 months
Disbursement period:	24 months

**ENVIRONMENTAL AND SOCIAL REVIEW:** This project includes activities to regulate the use of clean technologies as well as components for industrial safety for entrepreneurs and employees (paragraph 3.17).

**SPECIAL  
CONTRACTUAL  
CONDITIONS:**

The first disbursement will be subject to the submission, to the Bank's satisfaction, of: (i) a work plan and evidence that the project director has been hired (paragraph 4.6); (ii) the terms of reference for the consulting firms or individual consultants who will be responsible for preparing area-specific policies (paragraph 4.9); and (iii) a coherent proposal calling on the private sector to participate in this project, and evidence that the program objectives have been disseminated to key political players so as to ensure the continuity of the project once the new government takes office (paragraph 4.10).

Conditions precedent to the disbursement of resources for stage III (policy formulation):

The reports on stages I (identification of needs and assessment of supply) and stage II (policy design) must be submitted to the Bank's satisfaction, along with a work plan indicating the specific concrete activities to be carried out, such as the preparation of draft legislation or changes in procedures (paragraph 3.21).

Conditions for execution:

Semiannual reports must be submitted, to the Bank's satisfaction, specifying the attainment of goals and a final report containing the policy guidelines reached by consensus with the various stakeholders (paragraph 4.15).



## I. COUNTRY ELIGIBILITY

- 1.1 The Donors Committee declared the Republic of Guatemala eligible for all types of financing from the Multilateral Investment Fund (MIF) on March 30, 1995.

## II. BACKGROUND

### A. Frame of reference

- 2.1 The data on the size of the microenterprise and small and medium-sized enterprise (MSME) sector in Guatemala do not appear to be reliable, but evidence indicates that the sector represents a large part of the economy. <sup>1/</sup> Moreover, the information available in Latin America suggests that the ability to create jobs, boost economic growth, and improve income distribution depends on the capacity of small enterprises to operate productively in a modern international environment, characterized by economic globalization and rapid technological change. Such changes vitally affect the vigor of the companies and the contributions they can make to national development.
- 2.2 Research conducted in developing countries has found tremendous diversity among enterprises in the MSME sector, and Guatemala is no exception. Thus, enterprises with capital accumulation exist side-by-side with subsistence enterprises. Between the two extremes, there is a wide range of performance levels and potential growth. Such diversity suggests that the needs of the enterprises differ according to their characteristics, and therefore, a general policy for MSMEs, although requiring a global framework, must also offer a variety of instruments for support consistent with the specific needs of the different types of enterprises.
- 2.3 MSME performance is the result of the interaction of various factors, some of them inherent in the enterprises and/or the entrepreneurs, and others external factors relating to sector and macroeconomic policies, while still others are specific to the business development policy targeting MSMEs.
- 2.4 There are currently at least 80 MSME support programs in Guatemala designed and implemented by different public and private

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<sup>1/</sup> It is estimated that there are about 700,000 microenterprises, including the agricultural sector, employing 2.1 million inhabitants, representing 65% of the economically active population employed full-time or underemployed. Excluding the agricultural sector, various sources indicate that there are more than 150,000 microenterprises and small businesses.

organizations. Although they involve different objectives and impacts, they still come under the umbrella of microenterprise. Despite the many, widely-scattered programs, the concern among sector entities is that the overall impact of these programs has been minor due primarily to poor coordination in the formulation and implementation of the support strategies.

B. Bank strategy for microenterprise and small enterprise

- 2.5 The proposed project is consistent with the strategy to help eliminate market distortions and other obstacles hindering normal sector operation. It will also help create favorable market conditions due to the benefits that the sector will receive once sufficient, timely information is available.
- 2.6 Finally, the Bank's specific strategy for microenterprise emphasizes that a great deal still remains to be done in terms of policy changes to create equitable conditions for microenterprises.

C. Complementarity with other projects

- 2.7 This project is consistent with the national microenterprise program, financed in part by active loan 886/SF-GU under which resources are being provided to the sector by channeling them through the formal financial system. Also being prepared is project GU-0135 for development of technological know-how, through which additional capital would be granted for technologically innovative enterprises. In addition, the project pipeline includes project GU-0119, for the second stage of the financial sector program, approval of which is expected by August 1999.

### III. THE PROGRAM

A. Objective

- 3.1 The general objective of the project is to contribute to institutional strengthening and policy development in the MSME sector in Guatemala, through coordination and consensus-building between the public and private sectors, providing a framework for discussion and agreement on specific sector policies.
- 3.2 The specific objectives of the project are to: (i) identify unmet needs and any oversupply of support programs for the various types of MSMEs, (ii) identify institutional and legal obstacles to sector development; (iii) formulate policies for the MSME sector with the support of key private sector stakeholders in Guatemala; and (iv) formulate policies through government decrees or draft legislation.

- 3.3 A recent study <sup>2/</sup> found that the major problems faced by the MSME sector are: (i) severe restricted access to credit; (ii) inadequate support for the promotion of credit unions and community systems for production and financial management; (iii) lack of adequate support for strengthening the sector's business organization; (iv) absence of productive marketing procedures due to the lack of certain regulations and information systems and mechanisms; (v) the fact that the training available is not in demand on the part of MSMEs; (vi) insufficient technical assistance offered; and (vii) inconsistency in State policies and programs and operational, administrative and legal problems in carrying out productive activities.
- 3.4 Based on the above information, it was determined that the areas that urgently need a guiding policy framework designed to increasingly incorporate informal enterprises into the global economy are: (i) business training; (ii) access to credit; (iii) access to clean technologies that are economical and appropriate for the sector; (iv) access to marketing and distribution systems; and (v) addressing institutional and legal restrictions to normal business operation and sector formalization.

B. Stages

- 3.5 Policy guidelines for the above-mentioned areas of action will be formulated in three stages: (i) identification of the various existing services and programs in the areas specified as the program's targets, analyzing the deficit or oversupply of such services and programs and their quality and suitability for MSMEs; (ii) organization of the sector, through consensus-building and regional participation, to identify the ideal minimum regulations, in other words, recommended policies; and (iii) policy formulation.

1. Identification of needs and characteristics of supply

- 3.6 Financing. There is the perception that the absence of government policies supporting credit for MSMEs, weak domestic savings, the scarcity of resources and the lack of consistency in financial support programs have brought about low credit coverage in the sector. Thus, the MSME sector supports itself with its own funds covering up to 58% of its needs; other participants in this market are credit unions (3%), government funds (3%); suppliers (12%), community banks (1%), NGOs (6%), lenders (15%) and the financial sector (2%). <sup>3/</sup>

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<sup>2/</sup> "Programa Nacional de la Micro y Pequeña Empresa" [National Program for Microenterprise and Small Business] Delta Asesores. March 1999.

<sup>3/</sup> Delta Asesores. Ibid.

- 3.7 It is important to note that as of December 1998, the formal financial system consisted of 35 banks, 22 private financial companies, and an extensive, active network of unregulated financial intermediaries that may or not be linked with formal financial institutions. However, the above-mentioned study highlighted the lack of access to credit for the MSME sector, estimating that only three of the financial institutions were involved in this segment of the market. This situation is due to a lack of awareness among the two sectors and the high concentration of credit in economic groups associated with formal financial institutions. The Government of Guatemala expects to carry out a financial sector adjustment program to correct the structural deficiencies in the system, in terms of transparency and authority, which will include modernization of prudential regulations and strengthening of oversight mechanisms to ensure compliance with them.
- 3.8 At this stage, the characteristics, needs and type of resources required to finance working capital and investment in MSMEs will be studied. The analysis will also include the credit methods used by NGOs and community banks that onlend government funds and international cooperation funds as the natural channels for access to financial resources in the sector.
- 3.9 In this general context, the proposed program is very important, since it will give the authorities the elements necessary for the financial reform to help create a legal framework conducive to the development of financial services for MSMEs. Moreover, effective development of financial services for MSMEs will take time to mature, a process that the proposed program also seeks to promote and should therefore not be delayed.
- 3.10 Business training. One of the characteristics of the MSME sector is the lack of managerial capacity, which hinders access to new markets, technologies and financial resources, and technical and administrative operations of an enterprise. It is therefore important to have a policy that will guide and govern services for business training. In this first stage, the work will focus on surveying training services according to the characteristics of the enterprises served, and determining training needs by enterprise type, level of development and economic activity. On that basis, areas that are currently overserved and areas not served will be identified.
- 3.11 Generation and transfer of technology. The MSME sector carries out its activities using rudimentary practices. It lacks adequate productive technology, and its production systems are obsolete and uneconomical. Given the magnitude of this problem, the areas on which efforts must initially be focused should be identified. The primary criteria for selecting these areas are their current importance in the national economy, their prospects in terms of markets and the current capacity of the enterprises and support

organizations to meet the challenges of domestic and international competition. The metal mechanics, apparel, services, <sup>4/</sup> and food sectors have initially been identified as having priority. However, other priority sectors may be added or identified during project execution. In this first stage, the technological needs of the sectors will be identified according to the characteristics of the enterprises involved and their future position in the economy.

- 3.12 Marketing. The almost total absence of infrastructure for marketing support and the lack of marketing associations and market information create a bottleneck for proper development of the sector. However, taking into account that the marketing problems are specific to economic activity, the project will focus on the sectors assigned priority in the technology component. During this stage, the bottlenecks will be identified and the services offered will be surveyed and assessed to determine whether they are adequate for the needs of the sectors and the various characteristics of the enterprises.
- 3.13 Institutional and legal aspects. An estimated 85% of the enterprises in the sector are strictly informal, due not only to the lack of information but especially because of the changeable policies that hinder sector development by imposing high transaction costs in labor, taxation, administration and legal fees. Accordingly, project resources will be used to identify and review constraints on business initiative in these areas.

## 2. Policy design

- 3.14 The output of this stage will be specific recommendations in the form of guidelines the government should establish or measures it should take to ensure order and consistency in the execution of the various programs.
- 3.15 In the area of finance, accounting principles will be adopted so that financial NGOs can submit comparable financial information that can be compared; support will be provided for the lifting of barriers that prevent resources from reaching the beneficiaries identified by credit type, economic sector and geographic location; and general policies will be established for implementing programs for access to credit and resources, without causing distortions in the efficient allocation of resources.
- 3.16 In the area of training, a mechanism at the national level for assessing the quality of services rendered will be identified and a strategy will be developed to cover training service needs not currently covered and identify the organizations that can render those services.

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<sup>4/</sup> Such as messenger services, cafeterias, photocopy services, stationery shops, beauty salons, etc.

- 3.17 For organizing and recommending policies in the fields of transfer of and access to technology, marketing and distribution, regulations will be developed on the best use of technology, not just clean technologies that help conserve the environment, but also those that include basic elements of industrial safety for entrepreneurs and their employees, and a regulatory framework conducive to association and organization of the various types of enterprises through flexible strategic partnerships.
- 3.18 A fundamental part of the institutional and legal aspects of this policy development will be recommendations on possible amendments to regulations, legislation and procedures that restrict normal operation of MSMEs.

### 3. Policy formulation

- 3.19 Having a policy framework does not necessarily guarantee that the objective of organizing the sector will be achieved. In some areas, the above-mentioned stages will result in macro policies that ensure, through consensus-building and extensive dissemination, that resources are allocated in accordance with a sector development plan. In other areas, however, this initial step will simply facilitate the processes of prioritization so that the legal, administrative and procedural reforms that may prove necessary can be carried out.
- 3.20 Accordingly, it was deemed important for the project to include additional resources that would serve as the basis for implementation of the changes, such as proposed amendments and the respective documentation to be submitted either to the Congress in the case of legislation, or to the Executive in the case of regulatory decrees.
- 3.21 For disbursement of the project resources at this stage, the Bank must indicate its nonobjection to the final report prepared upon completion of stage I for identification of the characteristics of supply and stage II for policy design. In addition, a work plan must be submitted specifying the concrete activities to be carried out, such as preparation of draft legislation or changes in procedures.

### C. Beneficiaries

- 3.22 The direct beneficiaries of this project will be more than 150,000 microenterprises and small enterprises in Guatemala, government agencies and private institutions offering products and/or services for microenterprises, NGOs and international organizations that have traditionally granted resources on a concessional basis to the microenterprise and small enterprises sector.

#### IV. IMPLEMENTATION

##### A. Executing agency

- 4.1 Given the scope and characteristics of this project, it should be executed by a government agency. Regardless of the administration in office, the State as such has the inalienable obligation to improve the legal and regulatory environment in order to encourage the development of productive activities in the private sector and improve the quality of investment in human development. In other words, although the project executing agency is and should be the State, the primary beneficiary is essentially the private sector, represented by microentrepreneurs as well as the various institutions and organizations whose mission is to strengthen the capacity of the MSME sector.
- 4.2 The executing agency of the project will be the Ministry of the Economy (MINECO) through the Coordinating Office for Microenterprise and Small Enterprise Programs, which since 1998 has coordinated government programs supporting the microenterprise and small enterprise.
- 4.3 This coordinating office was created in 1997 when the functions relating to support for the microenterprise sector assigned to the Social Cabinet, were transferred from the Office of the Vice President to the Ministry of the Economy <sup>5/</sup> in order to provide more technical support to the sector and primarily to coordinate the various activities under the general framework of policies for the country's economic development. As a result of this transfer, the Coordinating Office for Microenterprise and Small Enterprise Programs has launched a process of coordination with the private sector, NGOs, universities and other government agencies that run programs for MSMEs.
- 4.4 The current structure of the Ministry of the Economy and of the Coordinating Office for Microenterprise and Small Enterprise Programs will enable the counterpart to offer the administrative, accounting and financial support required for the project. As a State institution, its mandate is essentially to produce a consistent, structured policy for the MSME sector. It will be responsible for providing the counterpart funds for the project, which will come largely from fiscal resources.
- 4.5 MINECO will be responsible for developing a system to monitor and evaluate the impact of MSME policies. The objective of a system of this kind is to provide statistically reliable information so that the incremental impact of support programs for microenterprises and

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<sup>5/</sup> Legislative Decree 673 of 1997.

small and medium-sized enterprises on the target population can be measured by enterprise type and economic activity.

B. Organization for implementation

- 4.6 The operation will be implemented and monitored through the coordinated work of a National Advisory Committee, a project director (reporting to the Coordinating Office for Microenterprise and Small Enterprise Programs), national expert consultants in each area, area advisory committees and an international advisor experienced in policy organization in the MSME sector. As a condition precedent to the first disbursement, a work plan and evidence that the project director has been hired must be submitted to the Bank.

1. Private-sector participation

- 4.7 As mentioned above, policy formulation must be the result of consensus-building between the public and private sectors. Consequently, despite the fact that the general coordination of project execution is the responsibility of a government agency such as MINECO, the participation of the private sector, through the different executing agencies of MSME programs, will help produce effective results.
- 4.8 Since the National Advisory Committee and the area committees will provide the framework for active private-sector participation, their establishment is crucial. International donors and bilateral agencies must be represented on the National Advisory Committee, in addition to the private executing agencies of MSME programs and government agencies agreed upon with the Bank.
- 4.9 Policy formulation in the areas identified will be carried out through the hiring of consultants or consulting firms specializing in each of the areas. The terms of reference for the consulting firms or private consultants who will be in charge of policy formulation must also be submitted as a condition precedent to the first disbursement.
- 4.10 A major function of the National Advisory Committee and the project director is undoubtedly the creation of spaces for policy discussion and consensus-building on various proposals with the different stakeholders in the public and private sectors. Accordingly, another condition precedent to the first disbursement will be that a coherent proposal calling on the private sector to be a key player in sector organization be submitted to the Bank, as well as evidence the program objectives have been disseminated among the primary political players to ensure the continuity of the project once the new administration takes office.
- 4.11 The organization of the work of MINECO and the consultants is designed in such a way as to permit various specific activities to



be incorporated into a single framework and broad-based participation of the national and regional stakeholders in MSME development to be promoted.

- 4.12 The procurement of goods and consultants called for under the program will be carried out in accordance with the applicable standard procedures of the Bank.

C. Operating organization for project execution

- 4.13 The work will be carried out in accordance with an operating arrangement that will ensure that all the necessary information is provided and the private sector fully participates as principal executing agencies of the different programs. It is also important to ensure that regional executing agencies participate.

- 4.14 A national workshop will be held to supplement the initial research, define the approach, prioritize activities and incorporate relevant regional experiences. A second workshop will also be organized where proposals from each area can be discussed and concurrence expressed on draft policies. Based on the above, a final document will be prepared, with the policies and guidelines for action in each area, the results of which will be widely disseminated. Lastly, area policies will be formulated.

- 4.15 The project director must submit to the Bank semiannual reports indicating the extent to which the operational targets have been achieved and the progress made in consensus-building and policy formulation. The project director must also submit a final report containing the policy guidelines agreed upon by consensus by the various stakeholders.

D. Status of program preparation

- 4.16 The program is considered at an advanced stage of preparation, for the following reasons in particular: (i) there is general coordination office for major priority programs; (ii) action has been taken to bring together the various executing agencies; (iii) the office has sufficiently trained technical personnel; and (iv) potential national consultants have been preidentified.

## V. COST AND FINANCING

- 5.1 The project has a cost of US\$1.3 million. The MIF will finance US\$900,000 and the Ministry of the Economy will provide a counterpart contribution of US\$400,000 with resources from the national budget. The following table summarizes project costs, which are itemized in Annex V:

COMPONENT	TOTAL	MIF	MINECO
<b>STAGES 1 AND 2</b>			
1. Outside consulting services	575,000	460,000	115,000
2. International advisor	42,200	42,200	
3. Project coordination	94,500	20,800	73,700
4. Workshops	60,000	60,000	
5. Equipment	7,000	7,000	
6. Dissemination of results	70,000	70,000	
7. Operating expenses	68,000		68,000
8. Contingencies	43,300		43,300
<b>TOTAL, STAGES 1 AND 2</b>	<b>960,000</b>	<b>660,000</b>	<b>300,000</b>
<b>STAGE 3: POLICY FORMULATION</b>	<b>340,000</b>	<b>240,000</b>	<b>100,000</b>
<b>TOTAL</b>	<b>1,300,000</b>	<b>900,000</b>	<b>400,000</b>

## VI. JUSTIFICATION AND RISKS

### A. Justification

- 6.1 The operation is justified, considering that reforms to open up the economy to greater international competition should be accompanied by the development of domestic markets. To that end, the State must create a climate that will enhance the performance of existing enterprises and support the development of new enterprises according to market needs.

### B. Risks

- 6.2 This operation faces two major risks. One is that the structuring of the policies for the MSME sector may be used as a platform to launch a program for a particular administration, instead of a State program. To prevent this from happening, the project team will pay special attention to the establishment of the supporting committees so that they effectively involve the main private sector stakeholders, the technical staff of the current administration, and potential members of the next administration. In addition, a program promotional event will be held with the primary political players in order to involve them in program implementation.
- 6.3 The other risk is that program implementation may be slow, with the policy organization remaining on paper only. To mitigate this risk, not only will the advisory and monitoring committee be established as set forth in paragraphs 4.6 and 4.8, but an

implementation stage has been organized, under which the cost of implementing draft legislation and amendments to administrative regulations and procedures will be financed.

- 6.4 Lastly, there is another risk that the results of the project may not be sufficiently disseminated and that consequently international donors in particular may not have adequate knowledge about national policies on sector development. This risk will be mitigated by having the principal donors, bilateral agencies and organizations for international cooperation actively participate in the project by appointing them active members of the project advisory and monitoring committee.

## VII. MONITORING AND EVALUATION

- 7.1 Project monitoring will be the responsibility of the National Advisory Committee described in paragraph 4.8, which will be in charge of providing advisory services throughout the entire policy formulation process, as well as monitoring the procedures for actual implementation of consensus-based policies formulated with the public and private sectors.
- 7.2 The monitoring tasks of this committee will be carried out in accordance with the work plan mentioned in paragraph 4.6. Semiannual reports must be submitted to the Bank, specifying the extent to which the targets indicated in the work schedule have been achieved.
- 7.3 The final document containing the policy framework will be incorporated into the final report on the first two stages. The Bank must indicate its nonobjection as a condition precedent to the disbursement of resources for implementation of those stages.

## VIII. SPECIAL CONTRACTUAL CONDITIONS

- 8.1 Prior to the first disbursement, the Ministry of the Economy must submit to the Bank's satisfaction: (i) a working plan and evidence that the project director has been hired (paragraph 4.6), (ii) terms of reference for the selection and hiring of the consulting firms or individual consultants responsible for preparing the area policies (paragraph 4.9); and (iii) a coherent proposal calling on the private sector to be a key player in sector organization (paragraph 4.10).
- 8.2 Conditions precedent to disbursement of resources for stage III (policy formulation): the report on stage I (identification of needs and analysis of supply) and stage II (policy design) must be

submitted to the Bank's satisfaction, along with the specific work plan indicating the concrete activities to be carried out, such as the preparation of draft legislation or amendments to procedures (paragraph 3.21).

## LOGICAL FRAMEWORK

SUMMARY OF OBJECTIVES	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
consensus-building with the sectors, organize key elements development, such as access to es, training that is sufficient in lity, the means to acquire and/or ate technologies, and access to	June 2000: (i) a policy framework for sector development; (ii) an institutional structure that ensures policy execution; (iii) viable proposals to help overcome legal and administrative obstacles; and (iv) implementation of the proposals.	Press releases Legislative decrees  Inspection	The new administration is interested developing the MSME sector and w establish a sector development plan it becomes a State policy.
organize the disparate activities carried out inconsistently, so as to enterprise sector, which will be a consensus-based review of	<u>Financial:</u> (i) there is adequate financial oversight by credit unions, financial NGOs and formal banks involved in the sector; (ii) knowledge and application of different credit technologies is promoted.  <u>Training:</u> (i) training needs are identified; (ii) requirements for improving supply are determined; (iii) a quality control system for this service is proposed.	The means of verification are the same for all the components:  (i) basic working documents of the project team  (ii) minutes of various committee and working meetings  (iii) executive summary of national and regional workshops  (iv) documents on proposed changes	The public and private sectors have legitimate interest in organizing the activities that have been carried out ensure that MSMEs are effectively i into national development policy and commitments have been made to a end.
	<u>Marketing:</u> (i) the priority of economic sectors is confirmed; (ii) response capability of trade associations is established; (iii) viable mechanisms for trade integration are identified.		
	<u>Technology:</u> (i) the priority of economic sectors is confirmed; (ii) technology transfer needs are identified; (iii) mechanisms for the transfer of clean technologies are researched; (iv) environmental guidelines exist that are adapted to economic sectors identified and the MSME sector itself.		
	<u>Institutional:</u> (i) administrative and legal obstacles to the establishment and permanence of MSMEs have been surveyed; (ii) proposals for the necessary changes have been drawn up; and (iii) an organizational structure has been devised to monitor policy implementation.		
has been established	During month one of implementation, the project coordinator, area coordinators, research assistants and international advisor are hired. During this time the work plan is prepared to help accomplish the program objectives.	Review of contracts	MINECO has begun seeking suitable personnel to carry out the functions established.

SUMMARY OF OBJECTIVES	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
Basic working document has been prepared	In 3-1/2 months, a basic document has been prepared to serve as a working framework.	Basic working document	The team will have sufficient information from primary and secondary sources.
Regional workshop is held	This workshop will be held in month four of implementation. Its objective is to review and discuss the basic working document, and its output will be a global agreement on the approach to be used and priorities to be observed.	Executive summary and report on national workshop	There is broad-based participation of public and private sectors in the workshop.
Regional teams have held regional meetings	Between months four and eight, guidelines will be made flexible, regional experiences incorporated and opportunities provided for regional stakeholders to participate in the process.	Executive summary and minutes of meetings	There is broad-based participation of public and private sectors in this workshop.
Basic working document has been prepared.	Between months four and eight, simultaneously with the regional workshops, the basic working document will be enhanced and supplemented.	Partial working document, which will contain diagnostic studies and policy papers.	There is broad-based participation of public and private sectors in this workshop.
Second national workshop is held.	Upon completion of the regional workshops, a national workshop will be held to discuss the guidelines reached by consensus by the regional stakeholders and various working groups.	Reports and executive summary of the national workshop.	At regional workshops the various stakeholders agree on the approach and overall objectives of the project, so that the focus of this workshop is to discuss the details of the respective mechanisms.
Final document is prepared.	A month and a half is needed after the end of the second national workshop to prepare the final document.	Final document must contain specific proposals for changes in public sector structure and mechanisms to support the MSME sector.	There is broad-based participation of public and private sectors in this workshop.
Results are disseminated.	The final month of project execution will be used to disseminate the results among the various stakeholders.	Brochures, press releases, etc.	Agreement and a genuine consensus is reached by the public and private sectors.
Project cost: national consultant and coordinator fees by work area Total project cost: 100% financing	US\$68,000 US\$112,500 US\$575,000 US\$7,000 US\$24,200 US\$60,000 US\$70,000 US\$43,300	The means of verification for all the activities are:  (i) MINECO accounting records (ii) auditing reports (iii) copy of contracts	(i) The project is approved (ii) The national budget of Guatemala covers the resources committed.

PROPOSED RESOLUTION

GUATEMALA. NONREIMBURSABLE TECHNICAL COOPERATION FOR A PROGRAM  
FOR THE INSTITUTIONAL AND POLITICAL DEVELOPMENT TO SUPPORT THE  
MICRO, SMALL AND MEDIUM ENTERPRISE IN GUATEMALA

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 Multilateral Investment Fund, to enter into such agreements as may be necessary with the República de Guatemala, and to take such additional measures as may be pertinent for the execution of the project memorandum referred to in Document MIF/AT-\_\_\_\_\_ with respect to a technical cooperation for a Program for the Institutional and Political Development to Support the Micro, Small and Medium enterprise in Guatemala.
2. That up to the amount of US\$900.000, or its equivalent in other convertible currencies, is authorized for the purpose of this resolution, chargeable to the resources of the Technical Cooperation Facility of the Multilateral Investment Fund.
3. That the above-mentioned sum is to be provided on a nonreimbursable basis.