

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK  
MULTILATERAL INVESTMENT FUND

**PARAGUAY**

**PROGRAM TO SUPPORT BUSINESSES  
WITH HIGH GROWTH POTENTIAL**

**(PR-M1011)**

**DONORS MEMORANDUM**

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## **ANNEXES**

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## **APPENDICES**

Proposed resolution

**INFORMATION AVAILABLE IN THE TECHNICAL FILES**

Approved program profile  
MIF memorandum of eligibility  
Draft Operating Regulations and terms of reference  
List of coinvestment facility conditions  
Procurement plan

## **ABBREVIATIONS**

AWP	Annual work plan
CESI	Committee on Environment and Social Impact
GDP	Gross domestic product
ICTs	Information and communication technologies
PCR	Project Completion Report
P-H	Person-hours
PPMR	Project Performance Monitoring Report
SC	Steering Committee
SMEs	Small and medium-sized enterprises
UC	Universidad Católica “Nuestra Señora de la Asunción”

## I. EXECUTIVE SUMMARY

<b>Executing agency:</b>	The Universidad Católica “Nuestra Señora de la Asunción” (UC) will act as executing agency for the nonreimbursable component. For the reimbursable financing, the MIF and Visión S.A. de Finanzas E.C.A. (Visión) will set up a trust, to be managed by a competent local entity to be hired for that purpose, pursuant to Bank policy.	
<b>Beneficiaries:</b>	The program’s direct beneficiaries are: (i) adults with technical training or college education, preferably with professional experience, who are interested in creating a dynamic enterprise; and (ii) new businesses (in operation for less than four years) with potential for commercial scaling up and with leadership interested in growth. During the first two years, no sector will be favored, but as of the third year, efforts will be made to ensure that the portfolio of beneficiaries includes new businesses with knowledge- and technology-intensive processes and products.	
<b>Financing:</b>	<b>Modality</b>	<b>Nonreimbursable</b>
	MIF Window IIIA:	US\$780,000 (43%)
	Local counterpart:	US\$430,000 (24%)
	<b>Modality</b>	<b>Reimbursable</b>
	MIF Window IIIB:	US\$400,000 (22%)
	Local counterpart:	US\$200,000 (11%)
	<b>Total:</b>	US\$1,810,000 (100%)
<b>Program objectives:</b>	The program’s <b>general objective</b> is to help increase the number of successful entrepreneurs among Paraguay’s adult population. The specific objective is to develop and implement a technically and financially sustainable framework for the promotion, incubation and financing of new dynamic enterprises.	
<b>Execution timetable:</b>	<b>Nonreimbursable financing</b>	
	Execution:	48 months
	Disbursement:	54 months
	<b>Reimbursable financing</b>	
	Duration of the facility:	10 years
<b>Special contractual conditions:</b>	As a condition precedent to the first disbursement of the nonreimbursable funding, the Universidad Católica will submit, to the satisfaction of the Bank, evidence that: (i) a cooperation agreement has been signed between Universidad Católica, Universidad Columbia, and Fundación Enlace; (ii) the program’s Steering Committee has been created; (iii) the program’s Coordinator has been selected pursuant to Bank procedures; and (iv) the Steering Committee has approved the program’s Operating Regulations.	

Three months after the first disbursement, the annual work plan for the program's first year is to be submitted, to the Bank's satisfaction.

**Exceptions to  
Bank policy:**

None.

**Social and  
environmental  
review:**

The Committee on Environment and Social Impact (CESI) reviewed the abstract of the program at its 28 July 2006 meeting. Its recommendations regarding environmental eligibility criteria for the selection of firms, including occupational safety, gender, and child labor issues, were incorporated in the program's design (see paragraphs 3.4 and 3.9).

**Coordination with  
other donors:**

During the analysis mission, coordination meetings were held with the executing agencies of complementary projects financed by the World Bank through infoDev, the European Union, the Taiwanese cooperation agency, and the IDB (loans PR-100 and PR-126).

## **II. BACKGROUND**

- 2.1 **Economic and productive context.**<sup>1</sup> The Paraguayan economy, with a gross domestic product (GDP) of nearly US\$8 billion in 2005, has had a moderate performance over the last several years. In 2005, GDP grew by 2.9%, with predictions for 2006 and 2007 at 2.8% and 2.9%, respectively. Inflation has remained in the single digits, while the central government experienced a fiscal surplus in 2004 and 2005. Such conditions, should they continue, would provide a favorable business environment for both existing firms and new initiatives. According to Central Bank data, there are approximately 550,000—mostly micro and small—businesses in Paraguay. A number of studies indicate that these businesses have difficulty competing. The government has several programs that address this by providing support in the areas of quality, management, and exports.<sup>2</sup> However, these efforts are not directed at business startups, which comprise a productive sector that has been scarcely studied in Paraguay to date.

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<sup>1</sup> This paragraph is based on data from the World Bank (*World Development Indicators Database*), *The Economist Intelligence Unit*, the Office of Statistics, Surveys, and Censuses, and the Paraguayan Central Bank.

<sup>2</sup> A European Union project addressing the issues of quality, metrology, and certification; the Investment and Export Network (REDIEX), which receives Taiwanese cooperation funds, and IDB programs—SME management and assistance (PR-100), and science and technology (PR-126).

- 2.2 **Dynamic enterprises.**<sup>3</sup> There is currently little effort in Paraguay to create dynamic enterprises, thus limiting the capacity of the economy to grow and generate high-quality jobs. This, in turn, impedes the emergence of modern businesses more closely linked to the global economy, to balance against more traditional firms developed with State support. Various analysts agree that the business climate in Paraguay is not conducive to the creation and survival of dynamic enterprises.<sup>4</sup> The following barriers are particularly notable: (i) a cultural, educational, and regulatory environment that does not create the skills or attitudes needed for entrepreneurial risk-taking; (ii) limited access to business support services or networking to offset entrepreneurs' lack of information and experience; and (iii) an absence of financial products required by new dynamic enterprises.
- 2.3 **Cultural, educational, and regulatory environment.** The **entrepreneurial culture** is relatively undeveloped in Paraguay. Successful firms that produce a significant demonstration effect in the society emerge only sporadically, and receive little coverage in the media. The dominant business model is the informal enterprise. This situation is related to an **education system** not well equipped to develop entrepreneurial skills. Though the education system is being reformed, it is still very conservative, oriented to creating good employees, rather than businesspeople. In the last few years, however, some initiatives for change have been under way. The Paraguayan chapter of Desafío SEBRAE<sup>5</sup> has been promoting the idea of entrepreneurship in university education; the National University of Asunción has an important teaching chair dedicated to entrepreneurship; and the American University also has experience disseminating knowledge and bringing together young entrepreneurs. At the secondary level, the Junior Achievement program is particularly noteworthy. In addition to the problems cited above, bureaucratic obstacles hinder the creation of firms. Launching a firm in Paraguay

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<sup>3</sup> In Latin America, dynamic businesses are generally led by teams of entrepreneurs, offering the benefit of innovation to differentiate themselves from the competition, and with the capacity to expand and globalize. They are dynamic in the sense that they have the potential to become medium or large firms. They tend to have initial sales on the order of US\$100,000, and growth rates on the order of 30% during the first five years (Kantis, H. et al., 2004, *Entrepreneurship Development: Latin America and the International Experience*, IDB Publications).

<sup>4</sup> There are, nevertheless, examples of such businesses: Scampi S.A., which produces freshwater shrimp; Imperio Guaraní S.A., which produces natural sweeteners; Pombero, which produces traditional clothing; and other firms dealing in organic products (honey, sesame, silk, maté) and in technology-intensive sectors (Chena Ventures). Some of the leaders of these firms were consulted in the course of designing this program.

<sup>5</sup> Desafío Sebrae is a business management game (based on simulation) for university students. (See [www.desafio.sebrae.com.br](http://www.desafio.sebrae.com.br).)

takes an average of 74 days, the longest period in the region. (Chile, 9; Ecuador, 69. *Doing Business*, World Bank.)<sup>6</sup>

- 2.4 **Networks and specialized services.** Unlike other countries in the region, Paraguay lacks institutions that specialize in supporting new businesses, such as incubators<sup>7</sup> and business-plan competitions. Paraguay is the only MERCOSUR member, for example, that has not experimented with incubators as a tool. In contrast, Argentina has over 30, Brazil over 200, and Uruguay 2, while Chile has over 20 and Bolivia 1. There is also little in the way of commercial and technological information networks in Paraguay, thus limiting entrepreneurs' access to business opportunities and technical know-how. Business groups have no institutionalized venues to facilitate interaction between prospective and well-established businesspeople. Some universities are creating links with businesses, but not yet in a systematic way. This reduces the likelihood that research results will be exploited through the creation of new companies. Lastly, existing programs to support development are more focused on improving the competitiveness of existing enterprises than on supporting new endeavors, though the latter, among other virtues, generally contribute more to the creation of new jobs.
- 2.5 **Specialized financial products.** Lack of access to specialized financing is a further constraint on startups in Paraguay. The nation's financial system does not have financial instruments for firms that have been in operation for less than one year. It is difficult for financial institutions and cooperatives to work with this segment, due to severe information asymmetries and lack of collateral in the form of real assets. Nonbank alternatives—e.g., venture capital funds or networks of angel investors—are also lacking. At present, such angel investors are active only in the family context, and their reach does not extend beyond a narrow circle of trust. Given these factors, only entrepreneurs able to draw on their own savings, family support, and special contacts, are able to create dynamic firms.
- 2.6 **Response to the problem, and program rationale.** Concern regarding this problem has led a group of private institutions, led by the Universidad Católica “Nuestra Señora de la Asunción” (UC), to request the Bank's support for a pilot program to promote a culture of entrepreneurship, through an innovative mechanism designed to foster the gestation and development of new dynamic

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<sup>6</sup> This program does not include specific activities to improve the regulatory framework governing the creation of firms, since other initiatives address this problem. In May 2006, the Paraguayan government signed an agreement with the United States government agency, Millennium Challenge Corporation, for the Umbral program, one component of which is specifically designed to promote formalization of the economy. There is, in addition, a MIF program underway aimed at simplifying export procedures (see Annex III).

<sup>7</sup> A **business incubator** is an entity that provides a “protected environment” for businesses—generally businesses in the initial phases of operation—in order to facilitate and accelerate their insertion in the market and increase the likelihood of success (survival and growth) during their initial years. Thus, incubators are environments that stimulate the creation of new businesses and protect them as they develop, but only for a limited period of time.

enterprises that combines business services, access to networks, and specialized financing. The program seeks to generate a demonstration effect on the role of entrepreneurs as agents for change and improvement in the social conditions of the population. It is designed to improve the capacities of institutions currently promoting entrepreneurship, by creating links among them and helping them to improve the quality of their services. This is consistent with international best practices, which emphasize the need for linkage and coordination among different institutional actors in order to create synergies and establish environments favorable to entrepreneurs throughout the various phases of creating and developing businesses.<sup>8</sup>

- 2.7 The program comes under the MIF project cluster that promotes dynamic business ventures. The objective of this initiative is to test and develop tools, with active participation by the local private sector, that combine business support services and financial services for new dynamic enterprises (document MIF/GN-103). The lessons learned in the proposed program are expected to be applied to future projects in the cluster.

### III. OBJECTIVES AND COMPONENTS

- 3.1 The program's **general objective** is to help increase the number of successful entrepreneurs among Paraguay's adult population. The specific objective is to develop and implement a technically and financially sustainable framework for the promotion, incubation, and financing of new dynamic enterprises. To this end, four components have been designed: (i) establishment of a business support and incubation center; (ii) direct support to entrepreneurs and new enterprises; (iii) development of innovative mechanisms to finance new dynamic enterprises; and (iv) evaluation and dissemination of lessons learned, and generation of proposals to improve the entrepreneurial climate.

#### **1. Component 1. Establishment of a business support and incubation center. (MIF: US\$94,400; Counterpart: US\$89,300)**

- 3.2 The objective of this component is to set up a dynamic business support and incubation center with solid management capacity, and to provide a complete range of basic and value-added incubation services to support entrepreneurs in the critical aspects of creating dynamic enterprises (see Table 1). The center will be based on a service model different from traditional incubators, inasmuch as it will specialize in

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<sup>8</sup> In order to incorporate good practices in support of new dynamic enterprises, the manager of the Chilean incubator OCTANTIS, one of the most successful incubators in the region, was hired to design this program. A recent IDB study was also taken into account (Capital Semilla para el financiamiento de las nuevas empresas. Avances y lecciones aprendidas en América Latina [Seed capital for the financing of new enterprises. Progress and lessons learned in Latin America], available in Spanish only at [www.iadb.org/sds/MIC/publication/publication\\_159\\_4428\\_e.htm](http://www.iadb.org/sds/MIC/publication/publication_159_4428_e.htm)).

networked (or value-added) services.<sup>9</sup> It will also have a limited capacity for intramural incubation, in order to establish a “benchmark” and produce a demonstration effect for the rest of the country—since, as indicated above, Paraguay does not yet have any functioning incubators.

**Table 1: Service model for the business support and incubation center**

<b>Critical aspects</b> <b>Type of service</b>	<b>Analysis of business and growth opportunities</b>	<b>Design and testing of business plans</b>	<b>Startup</b>	<b>Business development</b>
Value-added services	<ul style="list-style-type: none"> <li>- Competitions for ideas and plans</li> <li>- Entrepreneurship workshops</li> <li>- Personal interviews with entrepreneurs</li> </ul>	<ul style="list-style-type: none"> <li>- Tutor</li> <li>- Mentor</li> <li>- Network of contacts</li> <li>- Support from colleagues</li> </ul>	<ul style="list-style-type: none"> <li>- Legal and accounting</li> <li>- Intellectual property</li> <li>- Image and media coverage</li> </ul>	<ul style="list-style-type: none"> <li>- Commercial development (networks, partnerships, and media)</li> <li>- Strategic leadership (corporate governance, entrepreneurial team)</li> <li>- Financing application and access</li> </ul>
Basic services	<ul style="list-style-type: none"> <li>- Shared access to conference rooms, ICTs, and reference materials</li> </ul>		<ul style="list-style-type: none"> <li>- Shared office with desk, chair, and ICTs.</li> <li>- Shared access to conference rooms</li> <li>- Access to shared secretarial services</li> </ul>	

- 3.3 This component will finance: (i) selection of the center’s technical staff; (ii) training of technical staff through internships in other incubators,<sup>10</sup> along with additional support through tutoring; (iii) formulation of a detailed business plan and a work plan for the first two years of the center’s operation; (iv) detailed design of services, procedures, forms, and contracts to be used; (v) signing of agreements with allies (businesspeople, enterprises, and institutions) to provide the full range of services required by the entrepreneurs; (vi) design of the center’s business plan, including the brand, production of pamphlets, website, and launching event; (vii) equipping of the incubation center’s infrastructure, and procurement of information and communication technologies consistent with the service model that has been established; and (viii) development of a computer system to support all of the center’s processes, from administration and accounting to monitoring the services being provided to entrepreneurs.

<sup>9</sup> Networked incubation is based on facilitating the entrepreneur’s access to other entrepreneurs, professionals, and technology and financial institutions capable of helping to solve problems or meet needs associated with the process of starting a business. The basics of networked incubation can be found in, among other places, *Networked Incubators: Hothouses of the New Economy*, M. Hansen, H.W. Chesbrough, N. Nohria, and D. Sull, HBR, September-October 2000. Intramural incubation consists of providing an office and shared support services for the first two or three years of a firm’s operation.

<sup>10</sup> Among the incubators whose model could be adapted to the Paraguayan situation are the Chilean incubator OCTANTIS ([www.octantis.cl](http://www.octantis.cl)) and a number of incubators in southern Brazil.

## **2. Component 2. Direct support to entrepreneurs and new enterprises (MIF: US\$328,400; Counterpart: US\$239,200.)**

- 3.4 The objective of this component is to select entrepreneurs and support them in starting businesses that can survive and grow rapidly. The center will initially serve two segments: (i) adults with technical training or college education who are interested in starting a dynamic enterprise;<sup>11</sup> and (ii) startups interested in more rapid growth.<sup>12</sup> After two years of operation, the center may expand its services to new businesses with knowledge- and technology-intensive processes and products.<sup>13</sup> The center will provide different services to each beneficiary segment. While the first (new entrepreneurs) must complete the four steps described in Table 1, the emphasis for startups will be on services associated with business development for growth. The details of eligibility criteria for the different types of beneficiaries may be found in the Operating Regulations. It is worth noting that, in addition to growth potential, environmental and occupational safety, gender, and child labor considerations will be taken into account.
- 3.5 The activities to be included in this component range from enhancing awareness, holding workshops and competitions, and identifying new entrepreneurs and businesses, to providing services for the design, implementation, and acceleration of business plans (see Table 1). They also include the preparation of projects to be financed by the mechanisms provided in the third component. In particular, the following will be financed: (i) consulting services to coordinate awareness-building activities, activities to attract entrepreneurs, along with design and validation of business plans; (ii) workshops and competitions<sup>14</sup> to raise awareness and identify entrepreneurs, business projects, and businesses with high growth potential; (iii) consulting services to coordinate support activities for business startup and development, including facilitating contact with sources of financing; (iv) provision of basic services such as physical space and communications;<sup>15</sup> and (v) value-added services through the network of tutors, mentors, outside consultants, and institutions

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<sup>11</sup> This segment will include people interested in starting up dynamic enterprises that meet at least three of the following criteria: (i) they are still in the business model design phase; (ii) they do not have a business plan, whether they are in the process of formulating one or not; (iii) their businesses were started less than one year ago; (iv) they are not making sales or are making their first sales; and (v) they have not raised seed, angel, or venture capital.

<sup>12</sup> This segment will include businesses that are up to a maximum of four years from their Commercial Registry registration and have business scale-up potential and leadership interested in growth. In addition, these businesses must have annual sales below US\$1.5 million and fewer than 30 employees upon entering the program.

<sup>13</sup> It is anticipated that, with support from the incubation center, some of the research and development projects financed by the Bank through the Science and Technology Program (PR-126) will be able to become business startups.

<sup>14</sup> In designing the competitions, the ChileEmpresario competition model will be used. Its principal features are set forth at [www.chileempresario.cl](http://www.chileempresario.cl).

<sup>15</sup> The intramural incubation may last up to three years.

partnered with the incubation center. Table 3 shows the anticipated outcomes of this component.

**3. Component 3. Development of innovative mechanisms for the financing of new dynamic enterprises (MIF: US\$76,700; Counterpart: US\$13,900).**

- 3.6 The objective of this component is to test innovative mechanisms for financing new dynamic enterprises, including a network of angel investors and a coinvestment facility, in order to diversify the sources of financing currently available and fill in gaps between entrepreneurs' personal savings and the traditional debt instruments available to established firms. Additionally, the flow of projects for investment by potential venture capital funds in Paraguay is also expected to increase.
- 3.7 The following activities have been designed to develop the network of angel investors: (i) an analysis of good practices in creating and managing angel investor networks;<sup>16</sup> (ii) a market study to identify, characterize, and create a list of potential angels and to establish a base for subsequent activities to drum up support for and develop a network; (iii) an international motivational and training seminar on the role of angel investors, including introducing the investment community to the above-mentioned studies and to the program's services; (iv) support for creation of a network of angel investors, with an effort to promote entrepreneurial leadership among the participants;<sup>17</sup> (v) activities to immerse potential angel investors in the investment process, e.g., breakfasts and investment forums; and (vi) creation of a platform of services through which the incubation center supports the network. The platform will have a consultant with expertise in financial analysis of new businesses, in order to assist the angels and the coinvestment facility in structuring and monitoring investments.
- 3.8 **Coinvestment facility.** The facility will incorporate as a trust under Paraguayan law, with the fiduciary's principal responsibilities being to execute the orders of the fund's investors and manage its treasury. The fiduciary will be selected from among the institutions in the country authorized to provide such services. The facility's minimum initial capital will be US\$600,000, and its duration will be 10 years. The initial capital—to be provided through calls for capital aimed at financing the facility's investments and expenses on a *pari passu* basis—has been pledged by the IDB/MIF (US\$400,000) and Visión S.A. de Finanzas E.C.A. (US\$200,000). The facility's objective is threefold: to promote the investment activity of the network of angel investors, to serve as a tool in promoting the program among entrepreneurs,

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<sup>16</sup> The analysis will stress angel investor networks in environments comparable to Paraguay's, including some sponsored by the MIF (Costa Rica, Argentina, and Uruguay), and others in which other institutions provide support (Chile, Mexico).

<sup>17</sup> The experience of other Latin American networks indicates that, for a network to be successful, it is critical to have the presence of a figure or group of natural leaders respected in the business and investment community and with links to other, broader social circles, and who show interest in assuming leadership of the network.

- and to generate success stories that enhance the supply of and demand for seed capital within the Paraguayan market.
- 3.9 The facility will finance new businesses referred by the support and incubation center, subject to the fiduciary's verification that: (i) the enterprise has a business or growth plan, and that the plan has received a favorable evaluation from the center; (ii) the enterprise receives capital investment from one, or preferably two, angel investors representing at least 40% of the total investment required; (iii) the enterprise's original partners (prior to the investment) retain at least 51% of the shares; (iv) the center has certified that there is no conflict of interest among those involved in the transaction; and (v) the environmental policies and regulations of Paraguayan law and of the IDB/MIF are not violated.
- 3.10 The facility will offer a single instrument, with the following features: (i) subordinated loans in U.S. dollars; (ii) a 6-month variable LIBOR interest rate; (iii) royalties on increased sales (2% in year one, rising to 6% in year six); (iv) terms of up to eight years; (v) a three-year grace period on principal; and (vi) loans prepayable without penalty. Loans may not represent over 60% of the total investment to be made, and are capped at US\$80,000. This instrument has been designed to ensure that the interests of the facility are consistent with those of the entrepreneurs and investors. It will provide the entrepreneurs with: (i) patient, long-term capital; (ii) a credit evaluation by the angel investors, based on the qualities of the entrepreneur and of the enterprise (as opposed to assets or sufficient collateral); (iii) the ability to retain equity; and (iv) strategic support from the investor. The angels, for their part, will have the opportunity to minimize their exposure while leveraging their resources.
- 3.11 This component includes US\$50,000, which is to be administered by the MIF/CPR and used for legal expenses involved in structuring the facility, as well as for consulting services to inform the investment committee's decision-making.
- 3.12 This component is expected to result in the creation of a formal and sustainable network of at least 14 angel investors who will have invested at least US\$400,000 in approximately 10 new enterprises.

**4. Component 4. Evaluation and dissemination of lessons learned, and proposals to improve the entrepreneurial climate (MIF: US\$48,300; Counterpart: US\$2,500).**

- 3.13 The objectives of this component are to disseminate knowledge of the program's activities and outcomes, in order to engender greater awareness of the process of creating dynamic enterprises, and to promote dynamic entrepreneurship. Based on the outcomes of the program, the following is expected: (i) proposals will be developed for specific activities to improve the climate for creating and developing formal businesses in Paraguay, especially more dynamic ones; (ii) in tandem with the foregoing, materials will be produced to disseminate knowledge of the program, primarily through an electronic bulletin, thus maximizing its reach; (iii) a system will be implemented to report on the monitoring and evaluation indicators as

specified in the program's Logical Framework; and (iv) annual events will be held to present results and progress, as a means of sharing information with the business milieu, partners, and allies, regarding the formation of a new initiative in Paraguay that will fill a gap to enable the country's development.

- 3.14 This component will also include technical assistance in the amount of US\$30,000 to be administered by the MIF, for activities related to the "seed capital for dynamic enterprises" cluster, as set forth in document MIF/GA-14-1, paragraph 3.14. The amount will be deducted from the contribution as of the date on which the operation's technical cooperation letter of agreement enters into force, without need for the executing agency to request disbursement.

#### IV. COST AND FINANCING

- 4.1 The program's total budget is US\$1,810,000, with the MIF providing US\$780,000 in nonreimbursable funds and US\$400,000 in reimbursable funds. The counterpart for the nonreimbursable financing will be US\$430,000, to be provided by the UC, at least 50% in cash. The counterpart for the reimbursable funding will be US\$200,000, provided by VISIÓN S.A DE FINANZAS E.C.A. Table 2 shows the detailed budget, by category and type and source of funds.
- 4.2 **Sustainability of the program's activities and outcomes.** The program's support services and networks are expected to increase the likelihood that program-supported startups will remain in the market and will grow over the long term. In terms of the incubation center's activities and the network of angels, these initiatives are expected to sustain themselves in two ways: first, by charging entrepreneurs and angel investors for services at prices that partially, and increasingly, cover costs; and secondly, by an ongoing search for sponsors and allies to contribute new funds to cover operating costs.
- 4.3 **Sustainability of the coinvestment facility.** The facility's sustainability will depend on the success achieved in promoting the creation of dynamic businesses and a venture capital culture in Paraguay. The intended legacy of the program, following its conclusion in ten years, is a desire among local actors to continue working with financing modalities for entrepreneurs and dynamic enterprises, and perhaps even to increase the scale of the experiment.

**Table 2. Program budget**

Description / Source	Nonreimbursable funding		Reimbursable funding		Total	%
	MIF	Local counterpart	MIF	Local counterpart		
Component 1	94,400	89,300			183,700	11
Component 2	328,400	239,200			567,600	33
Component 3	76,700	13,900	400,000	200,000	690,600	40
Component 4	48,300	2,500			50,800	3
Program coordination	116,100	85,100			201,200	12
Evaluation and audit	22,000	0			22,000	1
Contingencies	14,100	0			14,100	1
<b>SUBTOTAL</b>	<b>700,000</b>	<b>430,000</b>	<b>400,000</b>	<b>200,000</b>	<b>1,730,000</b>	<b>100</b>
%	62%	38%	67%	33%		
Technical assistance, Component 3	50,000					
Technical assistance for the cluster	30,000					
<b>Total</b>	<b>780,000</b>	<b>430,000</b>	<b>400,000</b>	<b>200,000</b>	<b>1,810,000</b>	

## V. EXECUTING AGENCY AND EXECUTION MECHANISM

### A. Executing agency

- 5.1 The nonreimbursable funding will be executed by the Universidad Católica “Nuestra Señora de la Asunción” (UC), an institution regarded highly both in Paraguay and internationally. The UC has been in existence for 44 years and has five regional campuses, as well as seven associated teaching facilities and institutions across the country. In addition to its academic capacities, it has a proven track record in business development projects. In 2004, it joined the Chilean Center for Entrepreneurship Development and Innovation Ltd. [Centro de Innovación y Desarrollo Empresarial Ltda.] (CINDE) to establish the competitiveness development consortium that oversees the Business Development Program for Small and Medium-sized Enterprises (PR-0100) funded by the Bank. The proposed program will benefit from the capacity generated by the UC through that program, in terms of awareness-building, training, and technical assistance for SMEs. The consortium’s achievements as of May 2006 include 360 SMEs assessed, 112 competitiveness plans for SMEs prepared, and a register of 100 business service suppliers created.
- 5.2 The UC has established a partnership with two other Paraguayan institutions, ENLACE and Universidad de Columbia, to execute the program’s nonreimbursable funds. ENLACE is a nongovernmental organization (NGO) created by successful entrepreneurs that specializes in the areas of financing and incubation of new businesses, and has received previous support on various occasions from the

World Bank and Avina to work in this area. The Universidad de Columbia, created in 1991, was the third university recognized by the Paraguayan government, and the first private nonreligious university. The UC, ENLACE, and Universidad de Columbia plan to create a foundation, or other appropriate legal entity, to oversee the program's activities during the third or fourth year of execution, though the UC will continue to be responsible for the counterpart funds. The UC has previous experience in partnerships with private-sector institutions to execute business development projects. It holds a 50% share in the Clean Production Center that was the beneficiary of a MIF project (ATN/ME-9230-PR) currently being executed and proceeding normally.

- 5.3 For the execution of the reimbursable funding (the coinvestment facility), the MIF and Visión S.A. de Finanzas E.C.A. (Visión) will create a trust under Paraguayan law, and will hire a fiduciary to administer it. Trusts are a reliable mechanism in Paraguay, since they are subject to extensive regulation and oversight. Visión, which was founded in 1992, is one of the country's principal microfinance institutions, and has had positive experience with the MIF.<sup>18</sup> It has 14 branches, and was the first financial institution in the country to add an institutional shareholder. It offers savings and financing products, with loans ranging from US\$100 to US\$100,000, repayment periods from 3 months to 60 months, and interest rates of between 25% and 50%. Its credit analysis emphasizes profitability and experience over collateral. Visión's contributions to the program include financial resources and experience, in the context of corporate social responsibility activities.

## **B. Execution mechanism**

- 5.4 The execution of nonreimbursable funds will be organized at two levels: a Steering Committee (SC) and an executing unit. The SC will be the highest authority, and will include two UC representatives, one ENLACE representative, and one Universidad de Columbia representative. The UC will chair the committee, whose secretary will be the coordinator of the executing unit. The principal functions of the SC will be to: (i) approve the program's annual work plans; (ii) appoint and evaluate the performance of the executing unit coordinator; (iii) supervise program execution, proposing improvements or corrective measures, as appropriate; (iv) review financial statements; (v) work to establish partnerships with other institutions and programs supporting entrepreneurs, for purposes of program implementation; (vi) authorize the submission of funding proposals to the coinvestment facility; and (vii) review and approve the reports on results written for the MIF. The SC will meet on a bimonthly basis during the first year, and quarterly thereafter, in addition to holding special meetings as requested by the executing unit coordinator. Establishment of the Steering Committee is a condition precedent to the first disbursement.

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<sup>18</sup> The MIF invested in Visión through Profund and AIM, and recovered both investments. Visión also received MIF technical cooperation funds for institutional strengthening in 2000 (ATN/ME-7168-PR).

- 5.5 The program's executing unit will consist of a general coordinator and two assistants. Other key consultants will be responsible for the commercial and business design activities, and will support the implementation, development, and support of the network of angel investors and of the coinvestment facility. These consultants will be brought into the program gradually. The executing unit's responsibilities will include: (i) preparing and executing the business plan and annual work plans (AWPs); (ii) preparing terms of reference, and contracting and supervising goods, consulting and other services, and partnerships; (iii) preparing and submitting disbursement requests to the Bank; (iv) submitting account statements and reports to the program's Steering Committee, which in turn will transmit them to the Bank; (v) collecting and systematizing information on all program activities and outcomes; (vi) monitoring the performance indicators set forth in the Logical Framework; (vii) directing and facilitating design and implementation of all services provided to entrepreneurs and new businesses; and (viii) analyzing firms and preparing the documentation needed to obtain financing from the facility. Selection of the program coordinator is a condition precedent to the first disbursement.
- 5.6 For execution of the coinvestment facility, an Investors' Committee will be formed, which will act as the trust's ruling body. Its functions will include: (i) directing the facility's strategy; (ii) selecting, hiring, and instructing the fiduciary, including approval or rejection of loans presented by the fiduciary; (iii) renewing administration contracts; and (iv) liquidating the trust, etc. It will include all of the investors in the facility (MIF and Visión), which will vote in proportion to their respective equity. The fiduciary will be responsible for determining whether new businesses to be financed meet eligibility criteria, as well as for overseeing the loan portfolio (including handling of delinquent loans), managing the facility's treasury and accounting, and preparing reports requested by the Investors' Committee. Details may be found in the facility's terms and conditions in the program's technical files.

**C. Execution and disbursement periods**

- 5.7 The nonreimbursable financing will be executed over a 48-month period, with disbursement taking place over 54 months. In accordance with the estimated needs of the program, a revolving fund with up to 10% of the MIF contribution will be set up. This will be placed in an independent account, and will allow for funds to be made available in a timely manner, for the various activities to be covered. The coinvestment facility will have a duration of 10 years from the date on which the trust is created. At the end of this period, the trust will be dissolved, and the remaining resources will be returned to the investors in proportion to the percentages they contributed thereto. The facility's resources will be committed for a period of four years.

**D. Procurement, contracting, and audits**

- 5.8 **Procurement and contracting.** The UC will procure the goods and services needed for execution of the program's nonreimbursable funds, following Bank and MIF procedures and policy. The procurement plan (available in the technical files) details the principal consulting activities, their estimated costs, and the selection methods to be used.
- 5.9 **Audits.** The program will be subject to annual independent audits. In the case of the coinvestment facility, the cost of the audits will be considered a part of overhead expenses. Auditing of the trust will be contracted for and approved by the Investors' Committee. The MIF reserves the right to unlimited access to the books and documents of the trust's administrator and auditors, and to those of the businesses financed.

**E. Project readiness**

- 5.10 The program's objectives, components, and activities have been agreed upon. The principal support documents have also been negotiated, including a draft of the detailed budget and the Operating Regulations. Letters of commitment have been secured from ENLACE, Universidad Columbia, Visión, and five prospective angel investors.

**VI. MONITORING AND EVALUATION**

- 6.1 The Bank's Country Office in Paraguay will be responsible for supervision and control of all program components, monitoring compliance with contractual clauses, handling disbursement requests, and receiving audited financial statements. The UC will submit semiannual progress reports to the Bank within 60 days following the end of each six-month period. The reports will describe compliance with the commitments set forth in the Logical Framework, and reports for the second half of each calendar year will include the AWP and budget for the coming year, as well as activities, targets to be met, and projections for the conclusion of the program. During the first six months of execution, the UC will establish an estimated baseline for the indicators given in the Logical Framework under "Goal," along with the method to be used for establishing a control group.
- 6.2 The UC will be responsible for collecting and analyzing information relevant to the ongoing monitoring of the indicators set forth in the program's Logical Framework (Annex I). To facilitate this task, Component 4 includes funding to develop a monitoring and evaluation system. This system is to incorporate updated information on the activities financed by the program, including beginning and end dates, beneficiaries, consultants involved, and resources committed and disbursed. The information in the system, along with related external databases, should make it possible to calculate values for all of the indicators in the Logical Framework, particularly the detailed results specified in Table 3. If there are unfavorable deviations of over 30% in the performance of one or more of the indicators in

Table 3, the UC will have 30 calendar days to agree with the Bank on measures to correct the situation. After this period, or if the situation has not improved to the Bank's satisfaction, the Bank may suspend or cancel future disbursements.

**Table 3. Individuals and businesses served, according to type of service, year, and segment**  
(S1: individuals with entrepreneurial interest; S2: new businesses; S3: new technology firms)

Year and segment	Year 1		Year 2		Year 3			Year 4			Total		
Type of service	S1	S2	S1	S2	S1	S2	S3	S1	S2	S3	S1	S2	S3
Analysis of business/growth opportunities	40	40	80	60	100	80	20	120	80	20	340	260	50
Design/validation of business plan	8	6	12	10	14	12	5	16	12	5	50	40	10
Startup support	2		6		8		3	10		3	26		6
Business development support			4	4	5	5	2	7	5	2	16	14	4
Angel investor network financing				3	1	2		2	1	1	3	5	1

- 6.3 **Evaluations.** The Bank will use funds budgeted for evaluation to engage consulting services for the midterm and final evaluations of the program's reimbursable financing. The midterm evaluation will be conducted when at least 50% of MIF funds have been disbursed, or after 24 months of execution (half of execution period), whichever occurs first. The midterm evaluation will include an assessment of: institutional capacity of the executing unit, implementation of activities, with the indicators in the Logical Framework for individual components, implementation and functioning of the monitoring and evaluation system, and any changes in design required to correct program shortcomings.
- 6.4 The final evaluation will be conducted once 95% of the Bank financing has been disbursed, and will concentrate on assessing impact on: (i) the percentage of the adult population involved in creating businesses; (ii) the performance of businesses created or strengthened with support from the program, based on failure rate, sales, jobs, and access of supported businesses to financial and nonfinancial services compared with access by the control group; (iii) improvement in quality, relevance, and sustainability of the services provided by the incubation center and by outside consultants supporting the development of dynamic enterprises; and (iv) lessons learned and best practices identified. The terms of reference for the evaluations will include verification that environmental and social requirements are met; the final evaluation will also include organizing the program's closing workshop to discuss lessons learned.

## VII. BENEFITS AND RISKS OF THE PROGRAM

- 7.1 **Benefits.** The program involves a comprehensive medium-term strategy to create an environment and culture more conducive to entrepreneurship and innovation, including elements such as: greater openness in regard to networking; a climate of greater confidence in entrepreneurs and individuals with new ideas; a better climate for investing in projects without track records and in recently created initiatives that show clear growth potential; and a greater willingness on the part of institutions such as trade associations, universities, and other groups, to support the above-mentioned entrepreneurial initiatives. It is also anticipated that the emergence of new businesses will contribute to creating jobs, increasing the productivity of the factors of production, and augmenting the supply of more diversified, high-quality, and less expensive goods and services to the population.
- 7.2 **Beneficiaries.** The direct beneficiaries are: (i) adults with technical training or college education, preferably with professional experience, who are interested in creating a dynamic enterprise; and (ii) new firms (in operation for less than four years) with potential for commercial scaling up and with leadership interested in growth. During the first two years, no sector will be favored, but as of the third year, efforts will be made to ensure that the portfolio of beneficiaries includes new businesses with knowledge- and technology-intensive processes and products. About 19 profiles of enterprises and businesses, principally in the first two segments, have been identified, with which the program can begin to work once it is approved.
- 7.3 **Risks.** The program faces two principal risks: (i) an insufficient number of individuals interested in creating dynamic enterprises, a risk addressed by a plan to enhance awareness and attract people specifically from the segments with the greatest potential, with major efforts being made to disseminate knowledge of the incubator and of success stories, in order to motivate the creation of similar entrepreneurial activity; and (ii) failure to provoke interest in or appetite for investing among Paraguayans with money. To address this risk, the plan calls for a gradual demonstration of the benefits of this method supporting the development of new projects and investing, thus encouraging potential angels to take the lead and to identify with the overall process. Great effort will also be made to help entrepreneurs communicate the virtues of their projects to investors, while the incubator supports implementation of the enterprises in which investors are involved.
- 7.4 The performance of the coinvestment facility could be negatively affected by the following risks: (i) sensitivity to possible macroeconomic crises, which will be mitigated by selecting a fiduciary with experience in past crises and by disbursing capital progressively over the lifetime of the trust; (ii) the exchange-rate risk associated with making dollar-denominated loans, which will be mitigated by financing dynamic enterprises with an international-market orientation, involving either direct or indirect exports; (iii) the risk of execution and administration,

assumed by the trust, in dealing with a new market and employing a new investment methodology, which will be mitigated by the know-how of the investors, and will also be addressed by selecting an experienced institution to act as fiduciary; (iv) lack of a sufficient number of dynamic enterprises that represent investment opportunities, a risk that is expected to be mitigated through the second component; and (v) significant losses of the MIF contribution as a result of poor performance or bankruptcy on the part of the businesses to which loans are granted. This is particularly relevant given the increased vulnerability of businesses during their initial years of operation. This risk will be counteracted by the experience of the angel investors and by the support services provided by the incubation center.

## **VIII. ENVIRONMENTAL AND SOCIAL STRATEGY**

- 8.1 The **Committee on Environment and Social Impact** (CESI) reviewed the abstract of the program at its 28 July 2006 meeting. Its recommendations regarding environmental eligibility criteria for the selection of businesses, including consideration of workplace safety, gender and child labor issues, were incorporated in the program's design (see paragraphs 3.4 and 3.9).

**PROGRAM TO SUPPORT BUSINESSES WITH HIGH GROWTH POTENTIAL (PR-M1011)**  
**LOGICAL FRAMEWORK**

Objectives	Indicators	Means of verification	Assumptions
<b>Goal</b>			
Increase the number of successful entrepreneurs among Paraguay's adult population.	<b>At end of program (targets to be defined based on the baseline study):</b> <ol style="list-style-type: none"> <li>1. Percentage of the population with technical training or college education interested in creating dynamic enterprises is X% (2006 baseline: Y%).</li> <li>2. Percentage of the population with technical training or college education who are leading, or working in, new dynamic enterprises is X% (2006 baseline: Y%).</li> <li>3. Positive perceptions regarding entrepreneurs, among the population with technical training or college education, increases by X% (2006 baseline: Y%).</li> </ol>	<ul style="list-style-type: none"> <li>- Survey of 400 representative households in the target population in the Asunción area—during first half year, and at end of fourth year of program execution.</li> </ul>	The concepts of dynamic entrepreneurship and of its benefits in terms of economic growth and jobs are a part of the national consciousness.
<b>Purpose</b>			
A sustainable technical and financial framework for the promotion, incubation, and financing of new dynamic enterprises has been developed and implemented.	<b>By end of program:</b> <ol style="list-style-type: none"> <li>1. 16 new dynamic businesses have been created, and growth of 18 firms has been accelerated. These firms differ from the control group (similar firms, but without support from the program) in the following ways: <ul style="list-style-type: none"> <li>- Higher survival rate.</li> <li>- Higher sales and growth.</li> <li>- Higher sales per employee.</li> <li>- Greater access to outside financing.</li> <li>- Greater access to business development services.</li> <li>- Higher percentage of formal firms.</li> </ul> </li> </ol> <b>After 36 months of execution:</b> <ol style="list-style-type: none"> <li>2. Services of incubation center generate income covering 40% of operating costs.</li> </ol>	<ul style="list-style-type: none"> <li>• Monitoring and evaluation system, and survey of beneficiary businesses and control group</li> <li>• Final evaluation</li> <li>• Project Completion Report (PCR)</li> <li>• Project Performance Monitoring Report (PPMR)</li> </ul>	Political and macroeconomic conditions remain stable.

Objectives	Indicators	Means of verification	Assumptions
<b>Components</b>			
1. Business support and incubation center established.	<p><b>After 12 months of execution:</b></p> <ol style="list-style-type: none"> <li>The incubator's technical team (coordinator and two technical/executive staff) have been selected, hired, and trained.</li> <li>Agreements in place with 10 strategic partners and key entities, to provide access to commercial and technology networks of contacts.</li> <li>Network of at least 30 mentors and tutors with proven business experience in place, to counsel and provide specialized services to entrepreneurs.</li> <li>Physical facilities operating, with capacity for simultaneously servicing approximately 10 initiatives in the business design phase and 5 in the initial startup or development phase, with basic incubation services also available.</li> <li>The incubation center's system for commercial management and project monitoring in operation.</li> </ol> <p><b>After 24 months of execution:</b></p> <ol style="list-style-type: none"> <li>Infrastructure to accommodate 20 initiatives in the business design phase and 10 in the initial startup and development phase.</li> <li>Incubation center's management system complete as regards all administrative and operational functions.</li> </ol>	<ul style="list-style-type: none"> <li>Program's monitoring and evaluation system</li> <li>Incubator's management system</li> <li>Midterm evaluation</li> <li>Final evaluation</li> <li>PCR</li> <li>PPMR</li> <li>Semiannual reports</li> <li>Annual audits</li> </ul>	<p>Adequate infrastructure that can be adapted is available, and provided under conditions of a comodatum or loan for use agreement, for 10 to 15 years.</p> <p>Entrepreneurs, consultants, and support institutions are willing to create partnerships and collaborate with the program.</p>
2. Direct support to entrepreneurs and new businesses has been provided to make them dynamic enterprises.	<p><b>Individuals interested in creating firms (Segment 1)</b></p> <ol style="list-style-type: none"> <li>Individuals participating in awareness-building activities and business opportunity analysis: Year 1: 40; year 2: 80; year 3: 100; year 4: 120.</li> <li>Individuals supported in designing business plan: Year 1: 8; year 2: 12; year 3: 14; year 4: 16.</li> <li>Individuals receiving value-added services to start their businesses: Year 1: 2; year 2: 6; year 3: 8; year 4: 10.</li> <li>Individuals receiving intramural incubation services: Year 1: 0; year 2: 5; year 3: 8; year 4: 10.</li> </ol>	<ul style="list-style-type: none"> <li>Program's monitoring and evaluation system</li> <li>Final evaluation</li> <li>Midterm evaluation</li> <li>PCR</li> <li>PPMR</li> <li>Semiannual reports</li> <li>Annual audits</li> </ul>	<p>There is interest among new entrepreneurs and owners of new businesses in translating ideas into projects and enterprises.</p> <p>Interest can be developed among researchers and technology experts to bring technologies to the market as spin-offs or patentable products.</p> <p>There is interest in some sectors in creating businesses that</p>

Objectives	Indicators	Means of verification	Assumptions
	<p>5. Individuals receiving value-added services for business development: Year 2: 4; year 3: 5; year 4: 7.</p> <p><b>New firms (Segment 2)</b></p> <p>6. Individuals participating in awareness-building activities and business opportunity analysis: Year 1: 40; year 2: 60; year 3: 80; year 4: 80.</p> <p>7. Individuals supported in validating their business plans: Year 1: 6; year 2: 10; year 3: 12; year 4: 12.</p> <p>8. Individuals receiving value-added services for accelerated growth: Year 2: 4; year 3: 5; year 4: 5.</p> <p><b>Technology firms (Segment 3)</b></p> <p>9. Individuals participating in awareness-building activities and business opportunity analysis: Year 3: 20; year 4: 20.</p> <p>10. Individuals supported in designing and validating business plans: Year 3: 5; year 4: 5.</p> <p>11. Individuals receiving value-added services for startup: Year 3: 3; year 4: 3.</p> <p>12. Individuals receiving intramural incubation services: Year 3: 2; year 4: 2.</p> <p>13. Individuals receiving basic and value-added services for initial development: Year 3: 2; year 4: 2.</p>		<p>provide innovative solutions implemented through new enterprises</p> <p>There is a readiness to develop initiatives to foster the dynamic growth of firms.</p>
<p>3. Creation of a network of angel investors with the capacity and willingness to invest in dynamic enterprises with high growth potential.</p>	<p><b>After 12 months of execution:</b></p> <p>1. An event based on international experience with seed and angel capital has been held to disseminate information and motivate the local investment community.</p> <p>2. 10 angel investors are a formal part of the network.</p> <p><b>After 24 months of execution:</b></p> <p>3. 12 angel investors are a formal part of the network.</p> <p>4. Angel investors have made investments totaling US\$100,000 in 3 firms supported by the program.</p> <p><b>After 36 months of execution:</b></p> <p>5. 14 angel investors are a formal part of the network.</p>	<ul style="list-style-type: none"> <li>Administrator's reports</li> <li>Annual audits</li> </ul>	<p>There are people with money in Paraguay who are willing to evaluate and try new investment options.</p> <p>There are people with substantial liquid assets willing to learn about and explore investment in dynamic enterprises.</p> <p>It proves possible to educate and generate interest, among entrepreneurs, in incorporating partners and investors in their firms in order to support growth.</p>

Objectives	Indicators	Means of verification	Assumptions
	<p>6. Angel investors have made investments totaling US\$200,000 in 3 firms supported by the program.</p> <p><b>After 48 months of execution:</b></p> <p>7. Angel investors have made investments totaling US\$200,000 in 4 firms supported by the program.</p>		
<p>4. Wide dissemination of program results, lessons learned, and proposals emanating from the program.</p>	<p><b>After 12 months of execution:</b></p> <ol style="list-style-type: none"> <li>1. Program has been launched.</li> <li>2. Baseline study completed.</li> <li>3. Monitoring and evaluation system designed and implemented, with semiannual results.</li> <li>4. Electronic bulletin and blog for dissemination of information and analysis of the entrepreneurial climate has 200 individual and institutional subscribers in first year, 300 in second year, and 400 in third year.</li> </ol> <p><b>After 24 months of execution:</b></p> <ol style="list-style-type: none"> <li>5. Report on lessons learned from the market, from incubator and investors' network startup, and from operation of the fund.</li> </ol> <p><b>After 48 months of execution:</b></p> <ol style="list-style-type: none"> <li>6. Annual events (one per year) to detail progress, and to invite allies, partners, government, and entrepreneurs to participate in network.</li> <li>7. Analysis of barriers to dynamic undertakings, and proposals for development of instruments and public policy presented to government officials and legislators.</li> </ol>	<ul style="list-style-type: none"> <li>• Program's monitoring and evaluation system</li> <li>• Final evaluation</li> <li>• Midterm evaluation</li> <li>• PCR</li> <li>• PPMR</li> <li>• Semiannual reports</li> <li>• Annual audits</li> </ul>	

Objectives	Indicators	Means of verification	Assumptions
<b>Activities</b>			
<b>Component 1</b> <ul style="list-style-type: none"> <li>- Selection of incubator staff.</li> <li>- Training of incubator team through internships abroad and on-site support.</li> <li>- Preparation of business and operating plan.</li> <li>- Design of service model for incubator.</li> <li>- Conclusion of agreements and partnerships for the center's operation.</li> <li>- Design of commercial plan and development of communications instruments.</li> <li>- Preparation of physical infrastructure and ICTs.</li> <li>- Adaptation, procurement, or development of systems for commercial management of the center and for project monitoring.</li> </ul>	<b>After 12 months of execution:</b> <ul style="list-style-type: none"> <li>- Staff selected and hired (general coordinator, commercial and business design coordinator; incubation/acceleration coordinator, consultant to advise on network and feasibility issues).</li> <li>- Internships and training activities concluded.</li> <li>- Business and operating plan presented to executive committee, and approved.</li> <li>- Following aspects of operational model documented: services and associated processes, outside support contracts, contracts for relations with entrepreneurs, regulations for, and operation of, basic services.</li> <li>- Pool of available allies with cooperation agreements (on pro-bono or preferential-terms basis)</li> <li>- Document detailing commercial plan.</li> <li>- Promotional materials (promotional stationery, folders).</li> <li>- Website in operation (domain, hosting, etc.).</li> <li>- Location determined, loan-for-use or comodatum contract available, project details approved.</li> <li>- Work completed on physical premises pursuant to plan for installation of incubator.</li> </ul> <b>After 24 months of execution:</b> <ul style="list-style-type: none"> <li>- Expansion of facilities to accommodate 20 initiatives in the business design stage and 10 in the initial startup and development phase.</li> <li>- Management system's commercial and monitoring functions in operation.</li> <li>- Personnel trained to use the system.</li> <li>- Database of prospects loaded in system.</li> <li>- Information on projects and monitoring in files.</li> </ul>	<ul style="list-style-type: none"> <li>• Program's monitoring and evaluation system</li> <li>• PPMR</li> <li>• Progress reports</li> <li>• Minutes of incubator's board of directors meeting showing that it is fully operational</li> </ul>	

Objectives	Indicators	Means of verification	Assumptions
<b>Component 2</b> <ul style="list-style-type: none"> <li>- Activities to enhance awareness and attract participants.</li> <li>- Provision of support services to entrepreneurs and businesses.</li> </ul>	<ul style="list-style-type: none"> <li>- 12 workshops held: 6 for infant businesses, 4 for new businesses and 2 for technology initiatives.</li> <li>- 100 tutoring and consulting sessions for design of business plans.</li> <li>- 40 consulting sessions in accounting, legal, and financial areas.</li> <li>- 40 tutoring and consulting sessions for business plan design and validation.</li> </ul>	<ul style="list-style-type: none"> <li>• Program's monitoring and evaluation system</li> <li>• PPMR</li> <li>• Progress reports</li> </ul>	
<b>Component 3</b> <ul style="list-style-type: none"> <li>- Study of good practices, and sharing of relevant experience (support).</li> <li>- Market study of Paraguayan angel investors.</li> <li>- International motivational and training seminar on angel investor capital and venture capital.</li> <li>- Structuring and formalization of the network.</li> <li>- Activities to involve potential angel investors.</li> <li>- Three small events to initiate contacts between investors and projects.</li> <li>- Four "large" investment forums.</li> <li>- Platform to support the network and the coinvestment facility.</li> </ul>	<ul style="list-style-type: none"> <li>- Report on good practices, including experiences in Chile and another Latin American country (Costa Rica, Panama, Argentina), video conference with other relevant projects (Spain-Europe, U.S., Brazil, Uruguay), documentation and studies available on the subject.</li> <li>- Survey conducted of approximately 40 potential investors, analysis of investment environment in seed stage, and presentation of report to investment community.</li> <li>- International seminar held, with 40 potential angels participating, as well as representatives of government, the financial community, and entrepreneurs.</li> <li>- 1 meeting to present model of incubator, network and coinvestment trust, and 2 breakfasts to present projects to investors (prior to forum).</li> <li>- 3 investment forum, at least one per year beginning in second year.</li> <li>- Investors' network formalized (chair/leader, board of directors, and work plan).</li> </ul>	<ul style="list-style-type: none"> <li>• Program's monitoring and evaluation system</li> <li>• PPMR</li> <li>• Progress reports</li> <li>• CRM reports of applicants for projects in incubation</li> </ul>	

Objectives	Indicators	Means of verification	Assumptions
<b>Component 4</b> <ul style="list-style-type: none"> <li>- System for evaluating and monitoring design and implementation, and semiannual reports.</li> <li>- Accumulation of information on success stories from the incubator and the investment network.</li> <li>- Electronic bulletin and blog (involving expenditure for writing/preparation).</li> <li>- Annual events on progress and lessons learned.</li> <li>- Studies on barriers to entrepreneurship in Paraguay, and creation of public policy proposals.</li> <li>- Participation in specialized events to disseminate program outcomes.</li> </ul>	<ul style="list-style-type: none"> <li>- Monitoring and evaluation system designed and implemented, with results reported semiannually.</li> <li>- Presentation each year of two outstanding cases from the incubator and one from the investment side.</li> <li>- Electronic bulletin and blog with partial outcomes had 200 subscribers in first year, 300 in second year, 400-500 in third year, including entrepreneurs, investors, allies, and institutions.</li> <li>- Proposals for instruments to support dynamic entrepreneurship, incubators, simplification of procedures for starting businesses, and incentives for angel investors during the life of the project.</li> <li>- One national event per year on lessons learned and on the progress of the project.</li> </ul>	<ul style="list-style-type: none"> <li>• Program's monitoring and evaluation system</li> <li>• PPMR</li> <li>• Progress reports</li> </ul>	

		Unit of time			Amount	Quantity	Total		US\$ Cash				IN-KIND OR ITEMS OF VALUE				
Activity	Associated cost	Hours	Days	Months	US\$	Unit	US\$	%	MIF	PR-100	Local	infoDev	TOTAL LOCAL	PR-100	Local	infoDev	TOTAL IN-KIND
1. COMPONENT 1																	
1.1 Selection of incubator personnel							1,800		1,800	0	0	0	0	0	0	0	0
1.1.1 Notice, invitation to participate, interviews													0				0
Notice in press, interviews					600	3	1,800		1,800				0				0
1.2 Training of incubator team through foreign internships and on-site support							23,200		18,400	0	0	4,800	4,800	0	0	0	0
1.2.1 Paraguay staff training and transfer of know-how, handover of responsibility, and monitoring													0				0
Travel expenses					1,000	2	2,000					2,000	2,000				0
Lodging, per diem			30		120	2	7,200		7,200				0				0
International transfer			20		400	1	8,000		6,400			1,600	1,600				0
1.2.2. On-site support for incubator's executive and operational functions													0				0
International transfer			30		200	1	6,000		4,800			1,200	1,200				0
1.3 Detailed business and operating plan							6,000		3,000	0	0	3,000	3,000	0	0	0	0
1.3.1 Preparation of business and operating plan													0				0
International transfer			15		400	1	6,000		3,000			3,000	3,000				0
1.4 Design of the incubator model							11,000		10,000	0	1,000	0	1,000	0	0	0	0
1.4.1 Design of execution services and processes (management, startup, initial implementation, and exit)													0				0
Local professional			5		400	1	2,000		2,000				0				0
1.4.2 Design of processes to recruit and select entrepreneurs and projects													0				0
Local professional			5		400	1	2,000		2,000				0				0
1.4.3 Model for contracting of third-party services (consultants, tutors, and mentors)													0				0
Local professional--Attorney					500	1	500				500		500				0
Local professional			5		400	1	2,000		2,000				0				0
1.4.4 Contracts for services for entrepreneurs													0				0
Local professional--Attorney					500	1	500				500		500				0
Local professional			5		400	1	2,000		2,000				0				0
1.4.5 Basic and shared services for physical incubator													0				0
Local professional			5		400	1	2,000		2,000				0				0
1.5 Agreements and partnerships for operation of the center							30,000		0	0	1,200	0	1,200	0	28,800	0	28,800
1.5.1 Comprehensive services: Finding allies and developing agreements to provide comprehensive services (legal, tax-related, accounting, etc.)													0				0
Business expenses						4	1,200				1,200		1,200				0
1.5.2 Development of networks: Partnerships with entrepreneurs, tutors, and institutions													0				0
P-H Partners (UC-COLUMBIA, ENLACE)		4	3	48	50		28,800						0		28,800		28,800
1.6 Commercial plan							22,700		12,200	0	7,000	0	7,000	0	3,500	0	3,500
1.6.1 Preparation of branding plan, trademark design, and design of promotional materials													0				0
Local professional (specialist in marketing and publicity)					500	3	1,500						0		1,500		1,500
1.6.4 Design, printing, duplicating													0				0
Printing					2,500	4	10,000		5,000		5,000		5,000				0
Local professional, graphic designer					700	1	700						0		700		700
1.6.5 Corporate website													0				0
Computer engineer					4,000	1	4,000		4,000				0				0
Graphic designer					1,000	1	1,000		1,000				0				0
Local publicity advisor					300	1	300						0		300		300
Opensource software					0	0	0						0				0
1.6.6 Event to launch incubator													0				0
Invitation to participate					200	1	200		200				0				0
Dissemination and organization					2,000	1	2,000		2,000				0				0
Meeting room					1,000	1	1,000						0		1,000		1,000
Cocktail party					2,000	1	2,000				2,000		2,000				0

Activity	Associated cost	Unit of time			Amount	Quantity	Total		US\$ Cash					IN-KIND OR ITEMS OF VALUE			
		Hours	Days	Months	US\$	Unit	US\$		MIF	PR-100	Local	infoDev	TOTAL LOCAL	PR-100	Local	infoDev	TOTAL IN-KIND
<b>1.7 Preparation of physical infrastructure, ICTs, and communication</b>							<b>79,000</b>		<b>44,000</b>	<b>0</b>	<b>5,000</b>	<b>0</b>	<b>5,000</b>	<b>0</b>	<b>30,000</b>	<b>0</b>	<b>30,000</b>
1.7.1 Design (layout, access to basic services, printing, modular furniture, etc.)													0				0
Architect/Civil construction expert					4,000	1	4,000		4,000				0				0
1.7.2 Startup (expansion of modules, leasing, furnishing of regional (satellite) units, location, rent, use or comodatum agreement, project details, sponsors, local furnishing)													0				0
Expenses for local equipping					50,000	1	50,000		20,000				0		30,000		30,000
1.8.5 Furnishing common spaces, and basic and shared services. (Overhead, connectivity, telephone, hospitality, coffee room, supplies under "direct expenses")													0				0
Computers (30 computers)					900	20	18,000		18,000				0				0
Furniture					5,000	1	5,000				5,000		5,000				0
Telephones					2,000	1	2,000		2,000				0				0
<b>1.8 Adapt, purchase, or develop systems for commercial management and project monitoring.</b>							<b>10,000</b>		<b>5,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,000</b>	<b>0</b>	<b>0</b>	<b>5,000</b>
P-H Computer engineer					10,000	1	10,000		5,000				0	5,000			5,000
Opensource software					0	0	0		0				0				0
<b>COMPONENT 1 SUBTOTAL</b>							<b>183,700</b>	<b>16</b>	<b>94,400</b>	<b>0</b>	<b>14,200</b>	<b>7,800</b>	<b>22,000</b>	<b>5,000</b>	<b>62,300</b>	<b>0</b>	<b>67,300</b>
<b>2 COMPONENT 2</b>																	
<b>2.1 Coordination, awareness-building, and attracting and designing businesses</b>							<b>76,500</b>		<b>76,500</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Local professional				45	1,700	1	76,500		76,500				0				0
<b>2.2 Coordination, startup and entrepreneurial development activities</b>							<b>71,400</b>		<b>71,400</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Local professional				42	1,700	1	71,400		71,400				0				0
<b>2.3 Activities to enhance awareness and attract participants</b>							<b>149,700</b>		<b>78,000</b>	<b>600</b>	<b>30,600</b>	<b>0</b>	<b>31,200</b>	<b>0</b>	<b>40,500</b>	<b>0</b>	<b>40,500</b>
2.3.1 Twelve workshops (6 infant/3 new businesses/3 technology and sectoral initiatives)													0				0
Online information and resources					800	3	2,400		1,200	600	600		1,200				0
Dissemination and sponsorships					1,000	12	12,000		6,000				0		6,000		6,000
International consultant (Leadership and entrepreneurship)					3,000	12	36,000		36,000				0				0
Local support professional			20		50	12	12,000		12,000								
Coffee					300	12	3,600		3,600								
Supplies					400	12	4,800		4,800								
Meeting room					1,000	12	12,000								12,000		12,000
2.3.2 Three competitions													0				0
Media publicity and dissemination					800	3	2,400		2,400				0				0
Logistical support (consultant)					2,000	3	6,000		6,000				0				0
Selection (juries, judges, reviewers, etc.)		75			100	3	22,500						0		22,500		22,500
Preparatory and awards events					2,000	3	6,000		6,000				0				0
Prizes (for distinguished efforts, monetary contributions)					10,000	3	30,000				30,000		30,000				0
<b>2.4 Provision of support services</b>							<b>270,000</b>		<b>102,500</b>	<b>77,500</b>	<b>90,000</b>	<b>0</b>	<b>167,500</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
2.4.1 Basic services													0				0
Accounting, legal, and financial services		25			50	40	50,000		12,500	12,500	25,000		37,500				0
2.4.2 Value-added services													0				0
2.4.2.1 Design and validation													0				0
P-H Tutors and consultants					1,000	100	100,000		50,000	25,000	25,000		50,000				0
2.4.2.2 Initial development, and acceleration													0				0
P-H Tutors and consultants					3,000	40	120,000		40,000	40,000	40,000		80,000				0
<b>COMPONENT 2 SUBTOTAL</b>							<b>567,600</b>	<b>50</b>	<b>328,400</b>	<b>78,100</b>	<b>120,600</b>	<b>0</b>	<b>198,700</b>	<b>0</b>	<b>40,500</b>	<b>0</b>	<b>40,500</b>

		Unit of time			Amount	Quantity	Total		US\$ Cash					IN-KIND OR ITEMS OF VALUE				
Activity	Associated cost	Hours	Days	Months	US\$	Unit	US\$	%	MIF	PR-100	Local	infoDev	TOTAL LOCAL	PR-100	Local	infoDev	TOTAL IN-KIND	
3 COMPONENT 3																		
3.1 Study on good practices and exchange of relevant experiences (support)							4,000		0	0	0	4,000	4,000	0	0	0	0	
	Consultant		10		400	1	4,000					4,000	4,000				0	
3.2 Study on Paraguayan angel-investor market							4,000		4,000	0	0	0	0	0	0	0	0	
	Consultant		10		400	1	4,000		4,000				0				0	
3.3 International motivational and educational seminar on angel and venture capital							5,600		5,200	0	0	0	0	0	0	400	0	400
	Online information and resources				200	1	200		200				0				0	
	Dissemination and sponsorships				400	1	400						0		400		400	
	Rapporteur/Guest				3,000	1	3,000		3,000				0				0	
	Event (meeting room + coffee + supplies)				2,000	1	2,000		2,000				0				0	
3.4 Structuring and formalization of the network							6,000		6,000	0	0	0	0	0	0	0	0	0
	Specialized support		15		400	1	6,000		6,000				0				0	
3.5 Activities linked to potential angel investors							26,000		16,500	0	1,000	0	1,000	0	8,500	0	8,500	
3.5.1 Three small events to begin linking investors with projects													0				0	
	Media publicity and dissemination				500	3	1,500		1,500				0				0	
	Call for participation (assistant, invitations, etc.)				500	3	1,500		1,500				0				0	
	Events (medium-sized room, coffee, etc.), breakfast and/or lunches				1,000	3	3,000		1,500				0		1,500		1,500	
3.5.2 Four "large" investment forums													0				0	
	Design of specific image				500	4	2,000		2,000				0				0	
	Online information and resources				500	4	2,000		2,000				0				0	
	Media publicity and dissemination				1,000	4	4,000		2,000				0		2,000		2,000	
	etc.)				500	4	2,000		1,000		1,000		1,000				0	
	Holding of forum (large room, coffee, etc.)				2,500	4	10,000		5,000				0		5,000		5,000	
3.6 Platform to support the network and the coinvestment facility							45,000		45,000	0	0	0	0	0	0	0	0	0
	Financial expert -- new businesses			30	1,500	1	45,000		45,000				0				0	
COMPONENT 3 SUBTOTAL							90,600	8	76,700	0	1,000	4,000	5,000	0	8,900	0	8,900	
4 COMPONENT 4																		
4.1 Baseline and system for monitoring indicators in Logical Framework							10,000		10,000	0	0	0	0	0	0	0	0	0
	Local professional			5	2,000		10,000		10,000				0				0	
4.2 Accumulation of success stories from incubator and investor network							3,000		3,000	0	0	0	0	0	0	0	0	0
	Local professional			2	1,500	1	3,000		3,000				0				0	
4.3 Electronic bulletin and blog (associated cost of preparation/writing)							10,800		10,800	0	0	0	0	0	0	0	0	0
	Local professional (Journalist)			12	300	3	10,800		10,800				0				0	
4.4 Two events to analyze progress and lessons learned							7,000		4,500	0	1,500	0	1,500	0	1,000	0	1,000	0
	Dissemination and sponsorships				1,000	2	2,000		1,000				0		1,000		1,000	
	Call for participation				500	2	1,000		1,000				0				0	
	Event (meeting room + coffee + supplies)				2,000	2	4,000		2,500		1,500		1,500		0		0	
	Meeting room				500	2	1,000								1,000		1,000	
4.5 Studies on obstacles to entrepreneurship in Paraguay and preparation of public policy proposals							10,000		10,000	0	0	0	0	0	0	0	0	0
	Specialized support				10,000	1	10,000		10,000				0				0	
4.6 Participation in specialized events to disseminate outcomes							10,000		10,000	0	0	0	0	0	0	0	0	0
	Travel, lodging, per diem				2,500	4	10,000		10,000				0				0	
COMPONENT 4 SUBTOTAL							50,800	4	48,300	0	1,500	0	1,500	0	1,000	0	1,000	0

		Unit of time			Amount	Quantity	Total		US\$ Cash					IN-KIND OR ITEMS OF VALUE			
Activity	Associated cost	Hours	Days	Months	US\$	Unit	US\$	%	MIF	PR-100	Local	infoDev	TOTAL LOCAL	PR-100	Local	infoDev	TOTAL IN-KIND
5 Coordination and administration																	
5.1 Program coordinator							120,000		84,000	0	36,000	0	36,000	0	0	0	0
	Local professional			48	2,500		120,000		84,000		36,000		36,000				
5.2 Administrative assistant and accountant							36,000		18,000	0	18,000	0	18,000	0	0	0	0
	Local professional			45	800		36,000		18,000		18,000		18,000				
5.3 Technical assistant							22,500		22,500	0	0	0	0	0	0	0	0
	Local professional			45	500		22,500		22,500				0				
5.3 General services							58,700	0	9,600	0	25,100	0	25,100	0	24,000	0	24,000
	Office rent, incubation center			48	500		24,000						0		24,000		24,000
	Telephone expenses			48	200		9,600				9,600		9,600				0
	Connectivity			48	200		9,600		9,600				0				0
	Office and computer supplies, inputs, photocopies			48	150		7,200				7,200		7,200				0
	Other expenses						8,300				8,300						
COORD+ADM SUBTOTAL							201,200	18	116,100	0	61,100	0	61,100	0	24,000	0	24,000
6 Evaluation and audits																	
6.1 Audits							10,000		10,000	0	0	0	0	0	0	0	0
	Local professional				10,000	1	10,000		10,000								
6.2 Evaluation							12,000		12,000	0	0	0	0	0	0	0	0
	International consultant		40	300		1	12,000		12,000								
AUD+EVAL SUBTOTAL							22,000	2	22,000	0	0	0	0	0	0	0	0
7 Contingencies																	
7.1 Contingencies							14,100		14,100								
CONTINGENCIES SUBTOTAL							14,100	1	14,100	0	0	0	0	0	0	0	0
	PROGRAM TOTAL						1,130,000	100	700,000	78,100	198,400	11,800	288,300	5,000	136,700	0	141,700

**PROGRAM TO SUPPORT BUSINESSES WITH HIGH GROWTH POTENTIAL (PR-M1011)**

**RELATED PROJECTS IN PARAGUAY AND IN THE “PROMOTION OF DYNAMIC BUSINESS VENTURES” CLUSTER**

**A. MIF projects similar or related to the project**

<b>Project number and approval date</b>	<b>Project title, executing agency, and amount</b>	<b>Date of signing, and disbursement period in months</b>	<b>Amount disbursed</b>	<b>Remarks</b>
ATN/MT-8083-PR Oct. 30, 2002	Program to Streamline Export Procedures Ministry of Industry and Trade MIF contribution: US\$640,000	Dec. 12, 2002 46 months	82.40%	
ATN/ME-9230-PR PR-M1001 June 9, 2005	Cleaner Production in Value Chains Paraguay Clean Production Center MIF contribution: US\$460,000	Sep. 14, 2005	17.54%	
ATN/ME-9542-PR PR-M1002 Nov. 30, 2005	Instituting corporate social responsibility practices in SMEs Asociación de Empresarios Cristianos [Association of Christian Businesspeople] (ADEC) MIF contribution: US\$359,450	Mar. 14, 2006	10.00%	

### B. Similar or related Bank projects

Project number and approval date	Project title, executing agency, and amount	Date signed, and disbursement period in months	Amount disbursed	Remarks
1349/OC-PR PR-0100 Sept. 19, 2001	Business Development Program for Small and Medium-Sized Enterprises Ministry of Industry and Trade IDB loan: US\$10 million	Mar. 8, 2002	22.25%	
1698/OC-PR PR-0126 Dec. 7, 2005	Science and Technology Program National Council on Science and Technology IDB loan: US\$6.5 million	Apr. 10, 2006	0%	

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

See section A.

### D. Projects in the “Promotion of Dynamic Business Ventures” Cluster

Project number and approval date	Project title, executing agency and amount	Date signed, and disbursement period in months	Amount disbursed	Remarks
ATN/ME-8973-CH 82/MS-CH Dec. 1, 2004	Development of technology-based enterprises: Seed Capital Facility Fundación Chile MIF Investment Fund: US\$3 million MIF grant: US\$530,000	Aug. 25, 2005 42 months (technical cooperation) 8 years (seed capital fund)	0% 11.50%	The activities of the technical cooperation component have begun. The financial component has assigned contract, and the administrator has been hired.

<b>Project number and approval date</b>	<b>Project title, executing agency and amount</b>	<b>Date signed, and disbursement period in months</b>	<b>Amount disbursed</b>	<b>Remarks</b>
ATN/ME-9510-BO BO-M1007 BO-M1007 Nov. 16, 2005	Program to promote an entrepreneurial culture Grupo Nueva Economía Fundación PRODEM MIF Investment Fund: US\$400,000 MIF grant: US\$1.2 million	Jun. 14, 2006 48 months (technical cooperation) 8 years (seed capital fund)	0% 0%	The activity of the technical cooperation component has just begun, and the financial component is in the process of being formalized.
ATN/ME-9571-CR ATN/ME-9572-CR ATN/ME-9573-CR ATN/ME-9574-CR ATN/ME-9575-CR Dec. 7, 2005	Program for the promotion of dynamic entrepreneurship Fundación Mesoamérica; Parque-Tec; and CAMTIC MIF contribution: \$4,226,600	Mar. 7, 2006	5/10%	The various elements of the technical cooperation component have begun. The country's first network of angel investors has been created, and has just approved its first investment, which is in a technology project.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK  
MULTILATERAL INVESTMENT FUND

PROPOSED RESOLUTION MIF/DE-\_\_\_/06

Paraguay. Technical Cooperation ATN/\_\_\_-\_\_\_-PR and \_\_\_/\_\_\_-PR  
Support for Businesses with High Growth Potential

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 Universidad Católica “Nuestra Señora de la Asunción” and with Visión S.A. de Finanzas E.C.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 the development of a program of support for businesses with high growth potential.

2. That up to the amount of: (a) US\$780,000, or its equivalent in other convertible currencies, is authorized for the purposes of this resolution, chargeable to the resources of the technical cooperation resources of the Small Enterprise Development Facility of the Multilateral Investment Fund that will be administered by the Universidad Católica “Nuestra Señora de la Asunción”; and (b) US\$400,000, or its equivalent in other convertible currencies, is authorized for the purposes of this resolution, chargeable to the resources of the Small Enterprise Investment Fund of the Small Enterprise Development Facility of the Multilateral Investment Fund, that will be used to set up a trust fund with Visión S.A. de Finanzas E.C.A.

3. That the sum mentioned in subsection (a) of paragraph 2 above is to be provided on a non reimbursable basis, and that the sum mentioned in subsection (b) of paragraph 2 above is to be provided on a reimbursable basis.