

## REGIONAL MANAGEMENT TRAINING

(TC-96-04-22-5-RG)

### EXECUTIVE SUMMARY

**EXECUTING AGENCY:** Management training institutions and the Bank through the Regional Technical Cooperation Division of the Integration and Regional Programs Department (INT/RTC).

**RECIPIENTS:** Training institutions and small- and medium-enterprises.

**OBJECTIVES:** The overall objective of the project is to expand and justify the supply of management training available for the small- and medium enterprise sector in order to increase firm productivity and competitiveness in the region.

Specific objectives of the project are to: (i) promote sustainable market-driven solutions to management training for SMEs; (ii) test new methodologies and products in management training and sustainable development; (iii) leverage public/private sector resources necessary to create and disseminate successful models and environmentally sustainable solutions; and (iv) foster creation of a network of management and sustainable development training providers throughout the region to encourage mutual learning and collective innovation for SMEs.

**DESCRIPTION:** This project would assist management training institutions throughout Latin America in the design and dissemination of successful approaches in management training and sustainable development for small- and medium-sized enterprises (SMEs). To meet its objectives the project would consist of two components: (i) Demonstration projects and (ii) Dissemination of successful approaches.

Under the first component, the Bank would approve a number of demonstration projects that would be executed by training institutions throughout the region that have demonstrated leadership in the field of executive education, management training, and/or sustainable development through a competitive bidding process. Institutional qualifications for bidding and eligibility criteria for the selection of proposals may be found attached in Annex I.

Management training institutions would be invited to submit detailed project proposals with emphasis on technical assistance, local capacity building, product development, and diffusion of new practices to the SME sector. The specific objectives of the demonstration projects are noted-above. A demand analysis of the training needs of potential SME participants, including a sectoral overview of the SME target group in the particular country or sub-region would be a prerequisite for demonstration project approval. Institutional matching of 50% of the total cost of the demonstration project would also be a requirement: 35% of this counterpart contribution would be in cash, 15% could be in-kind. MIF grant resources would not exceed US\$500,000 per institution. MIF resources would not be available for financing the direct costs of training.

Illustrative types of activities that would be supported under the demonstration project component would include: research and development of innovative and cost-effective management training and/or sustainable development training products, methods, and materials; training of trainers through targeted short courses and workshops for faculty and private sector representatives; collaborative programs and partnerships involving other institutions, local educational agencies, professional associations, businesses, firms, or combinations thereof to diffuse new training products, for the development of management expertise and sustainable development among the SMEs sector; and development of methods for leveraging additional resources from public/private sources to cover some of the costs of training for SME owner/managers.

Under the second project component, the methodology and results of the demonstration projects would be made available to other interested organizations and persons. To disseminate successful approaches and products, this component would consist of the following activities: (i) conduct three regional workshops in selected themes that have immediate applicability for replication in business management training and sustainable development for SMEs; (ii) establish and maintain an electronic web site on the Internet to provide up-to-date information on training products, methods and materials under development through the demonstration projects, as well as facilitate interchange of information on the status of these projects; and (iii) prepare and distribute a quarterly newsletter, among interested

training institutions involved in SME management training and sustainable development.

<b>FINANCING:</b>	Modality:	Grant
	Recipient:	US\$3,100,000
	MIF:	US\$3,750,000
	Total:	US\$6,850,000

<b>IMPLEMENTATION SCHEDULE:</b>	Disbursement period:	45 months
	Execution period:	40 months

<b>ENVIRONMENTAL CLASSIFICATION:</b>	The Environmental Committee, at its meeting of October 1, 1996, classified this as a Category II operation.
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<b>BENEFITS:</b>	The benefits of the proposed project are as follows: (i) it is innovative in nature as it contemplates the development of new products, pedagogical approaches and training as well as training strategies based on the needs of the SME sector in Latin America; (ii) it will establish what the realities of the current marketplace are for management training among small and medium-sized businesses, and will disseminate best practice methodologies and products to address imperfections in this market; (iii) it will determine what the financial impediments are to meeting the demands of this market; and (iv) it will create a regional network of providers of goods and services for the SME management training market that has previously not been available.
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<b>RISKS:</b>	The first risk of the project relates to its product orientation: namely that the focus is on the production of new management training materials and approaches for SME decision-makers and not the demand for these products. The second risk is related to the overall sustainability of the program: there is a high cost in reaching out to SMEs and innovative training products and flexible delivery mechanisms may only be perceived as necessary on a one-off basis by the SME sector. If this were the case it would be difficult for the institutions to sustain the development of new products because they would not lead to a capacity for self-help and for continual upgrading.
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To mitigate these risks, the program requires that training institutions invest as partners with the Bank, contributing 50% in counterpart financing for each demonstration project. Moreover, eligibility and

selection criteria for grants establish strict guidelines as to the applicability and sustainability of training design and delivery outputs. Specifically, the proposals to be presented must establish and demonstrate a demand for the outputs to be developed and clearly identify the expected results to be achieved.

## I. ELIGIBILITY

- 1.1 Regional eligibility is being requested for this project for the following reasons: (i) economies of scale, to disseminate training methodologies on a much wider basis that is possible under any national program; (ii) to strengthen the inter-regional networks of training institutions and the intra-regional exchange of training methodologies, environmental education and training practices; and (iii) to provide an opportunity to develop a variety of training materials and products multiplying the effect of a single investment in training curriculum.

## II. BACKGROUND

### A. Management training and competitiveness: The SME sector

- 2.1 The lifting of trade barriers throughout the region and globally offer Latin American countries and businesses a wealth of trade and investment opportunities. The establishment of open-market economies and the promotion of global competitiveness are important features of this. Throughout the region economic policy is shifting from state managed economies to the private sector as the engine of growth. Privatization programs have rapidly expanded the private sector involvement in utilities, manufacturing and services yet the capacity to manage in the private sector has not kept pace with this trend. Recent growth patterns in Latin America have led to the creation of numerous small- and medium-sized enterprises (SMEs). Typically these businesses have been in the conventional service-oriented and low volume manufacturing sectors: i.e. engineering, construction, hospitality, and agro-industry.
- 2.2 Recent growth, on the other hand, has been based on innovative new firms that require the union of technology, research, marketing, and management skills. Rapid diversification of the economies in the region, especially in engineering and capital goods maintenance, environmental systems and practices, and small and light industries, places further demand on SMEs to possess new skills and information. The increasing cost of resources for money, material goods, and capital goods, means that SMEs need to acquire improved systems for inventory management, financial management, materials management, team maintenance, and production management.
- 2.3 Throughout the region, the possibilities for SMEs in urban, and in a more acute form, in rural areas to seize new business opportunities in a competitive global context and to put into place these management systems is particularly influenced by the level of human resources available to them. These "soft" factors are a principal determinant upon whether the business survives or not, and the extent to which it will prosper and grow. In fact, the

inability of some small firms to recruit and retain key staff - the people gap - is now referred to almost as frequently as "finance gaps" have been in the past. Improving the internal management of SMEs is recognized as central to the competitiveness of individual small firms. <sup>1/</sup> The three major building blocks for human resource enhancement typically cited to which firms need resort are (i) management and decision-making skills, (ii) financing for skill enhancement, and (iii) access to information and technology to feed into in-house efforts.

B. Imperfections in the SME management training market

- 2.4 Management training for large firms is a service market in Latin America that is functioning reasonably well, with high-end, customized training products that are largely tailored to the needs of large firm production and organizational processes. However, there are a number of market imperfections and challenges when addressing the demand for management training among SMEs, both at the firm level and at the sectoral level. Small and medium-sized enterprises face a very different scenario in terms of their needs and their ability to pay for management training as compared to large firms.
- 2.5 At the firm level, there are three major constraints typically noted to addressing SME management training needs. First, SMEs face constraints in production and organizational possibilities and these constraints require that relevant training be customized to the specific needs of SME managers. Secondly, the limited working capital of SMEs restricts the amount of monies that can be obligated to training, and requires quick returns on the training investment. For that reason, SME training must be flexible and extremely cost-effective to the SME manager. Thirdly, there is the issue of opportunity cost of the SME owner/manager: SME managers have extremely high opportunity costs, as the foregone earnings would imply that the enterprise not bring in revenue. For that reason, SME management training must be local, of short duration, and with flexible times for the SME manager.
- 2.6 At the sector level, SMEs are confronted with information and credibility gaps in subcontracting research and development to training institutions. This is due in part to a lack of knowledge of the capabilities of the training institutes, to a lack of trust in industrial secrecy, and to a problem of their inability to define clearly their own management and technological needs. The extent to which firms invest in training and sustain their efforts to adapt to changing conditions, and diversify and deepen their capabilities, however, is influenced by the information available on the gains to be had by investments in management training and the perceived ability to recuperate the returns from these

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<sup>1/</sup>"Best Practice Policies for Small and Medium-Sized Enterprises," OECD Series 1995 Edition, p.7 and 16.

investments. In other words, the demand for SME training is characterized by its fragmentation, its skepticism, and the limited resources (both time and money) that the enterprises are capable of investing in training.

- 2.7 Outside the region, a wide variety of forms of delivery of management training in SMEs has been tried to overcome these market imperfections. In Japan, delivery has been through the SME college system, whereas Finland, France, and the United Kingdom have favored using public subsidies to private sector providers of these services.
- 2.8 In Latin America, trade liberalization and deregulation have increased competitive pressures and reduced direct subsidies and protection that states can offer to small and medium enterprises. In the last several years new incentives to efficiency and greater responsiveness to consumer demand for management training among the SME sector have been developed in a number of countries and generally take the form of tax credits, voluntary participation of private employers in management training, and competition in the market for training (e.g. Chile, Brazil, Argentina).

C. Need for innovative training products for SMEs

- 2.9 Two schools of thought exist in terms of how to respond to the imperfections in the SME management training market: (i) incentives are needed to finance training of SMEs which in turn will address the working capital constraints; and (ii) incentives are needed to assist in the development of the training infrastructure, which is the development of the curricular programs and technical assistance required to establish institutional networks of firms. Both solutions involve some form of subsidy.
- 2.10 The first solution proposes to subsidize demand. However, this demand would still be characterized by its fragmentation and would require an effort of networking and consolidation in order to generate an effective market response. Furthermore, the nature of a demand subsidy would require a sustained effort, across many sectors and countries, in order to generate the demand necessary to promote the market to produce appropriate solutions to the SME needs. The second issue, would be to subsidize the fixed start-up costs of the development, testing, and marketing of innovative training products and methods for SME management training.
- 2.11 This project proposes to provide incentives to promote these start-up costs for SME management training. This approach is based on the premise that new approaches and cost-effective products need to be developed and disseminated to this sector of the management training market. Traditional executive management programs and MBAs offered by private universities and training institutions require enormous investments in time and resources, without

offering the skills and knowledge most relevant to SMEs. To address this sector, new service and training innovations are needed with flexible and financially sustainable delivery mechanisms.

- 2.12 To initiate a dialogue on how to address the increasing demand for management training services for the SME sector in Latin America, the Multilateral Investment Fund (MIF), hosted a meeting of leading Latin American and Spanish management training institutions, in April 1996. The purpose of the meeting was to bring together representatives from Spanish speaking countries and Brazil involved in the design and delivery of management education to gain a better appreciation of the training market from the perspective of the top suppliers and to learn what constraints exist to providing management education to SMEs. Institutions selected to participate in the meeting (see Annex I) all have been recognized as leaders in the field of business and/or management education and have achieved a reputation of excellence in executive education.
- 2.13 At the meeting, a number of innovations and advances in the design, delivery, and finance of management education were reported. New relationships with firms have resulted in increased understanding of the training needs of the business community and have led to service and training innovations such as distance learning via satellite and firm-level training. The relationships have led to some curriculum reform, a market trend toward shorter courses, expansion of executive MBA's, and growth of intensive tailored programs. Overall, the institutions agreed that effective delivery of management training depends on various combinations of innovation, high standards quality, and vigorous outreach to other institutions or providers of management education and training in closer proximity to SME markets.
- 2.14 Environmental considerations and sustainable development, were also recognized as integral components of management education programs. Businesses throughout Latin America are moving from a position of limiting pollution and cleaning up waste to comply with government regulations toward one of avoiding pollution and waste in the interest of being more efficient and competitive. Business are similarly coming to realize that the degree to which a company is viewed as being a positive or negative participant in solving sustainability issues will determine their long-term business viability. Integrating environmental decision-making into management training programs so as to mitigate adverse environmental impacts of SME operations, is an outcome that the MIF seeks to support in its effort to strengthen the supply of training products and methodologies in the SME management training market. Specifically, to develop the capacity of Latin American management training institutions in environment and sustainable development issues.
- 2.15 The cited meeting and a series of follow-up site visits to a number of management training institutions in the region, confirmed the rapidly growing need to expand existing training programs and to



create new programs for the SME sector. The visits similarly confirmed that meeting the needs of SMEs does not simply require repackaging of traditional management courses. These firms' conditions and markets are often fragile and carefully tailored management training is needed. For example, managers need training according to their own schedule that does not necessarily fit into a university's schedule. Many institutions reported the trend toward new curricula involving total immersion courses conducted on weekends or evenings and designed around the specific needs of small firms. Training institutions also stated that there was a void in Spanish language case materials on environmental issues as they relate to business planning and decision-making for SMEs.

2.16 While common trends were evident, approaches proposed by institutions as to how to address the SME management training market varied considerably. A number of different models were presented:

- a. One institution favored the creation of regional concentrations or partnerships of enterprises to establish collaborative linkages between firms with similar characteristics (in terms of size and turn-over) yet from differing sectors, to improve their efficiency through the development of cooperation, to maximize the potential of the group through mutual learning, and to reduce competition thereby encouraging information and technological exchange. Working with groups of enterprises rather than individual firms in the identification and delivery of management training has proven to increase the cost effectiveness of the training. This type of partnering was also considered fundamental to understanding the needs of this business community.
- b. Another institution proposed the creation of an outreach program to a neighboring country with a significant demand for improved management capability among the SME sector yet without a suitable institution capable of delivering intensive and tailored programs to this sector. Through cooperative agreements among institutions, training of trainer programs, and certification and credentialling systems, new delivery mechanisms were proposed in this model as a means of overcoming weaknesses in the provider network.
- c. Other institutions were more concentrated on research and development for improved product development for the SME sector including: curricula, short courses, training modules, training networks and consortia, methodologies for analyzing training needs, methodologies for forecasting training needs, evaluation tools, certification frameworks, information data bases, open and distance learning material.
- d. Still others reported advances in training methods such as group training, distance training, semi-autonomous/flexible training and training materials: printed (books, manuals,

guides), audio cassettes, video cassettes, electronic-based materials.

- 2.17 The ideas that were generated by the April meeting and the site visits suggest that training institutions are aware of the nature of the SME training needs and even have creative and innovative ideas to offer solutions. Why these institutions have not sought more aggressively to meet the increasing demand that this sector is generating is due to a number of supply-side obstacles cited by the institutions including: (i) lack of faculty members who are trained in alternative and innovative methods for teaching and transmission of ideas; (ii) the high cost of curriculum development, which requires adaptation of conventional management programs and training materials to the specific needs of the SMEs and development of techniques and technologies for their appropriate transmission; (iii) the high cost of networking, in order to reach the disperse target population, as the fragmentation of the demand for training and the challenge of overcoming the perception of irrelevance and expense that the conventional management training has generated among SME managers; and (iv) lack of financing for these initiatives.
- 2.18 This last characteristic of the market is particularly relevant, as many of the institutions that work in management training have opportunities to invest in options that have lower initial investments and offer a more certain opportunity for financial returns. These options typically include executive management programs, MBAs, other formal education programs and management consulting. As such, the supply side of the management training market for SMEs is characterized by high set-up and marketing costs which make the products prohibitively expensive to the target population. As a result, without some type of intervention, the market will continue to offer little relevant training to these enterprises.

### III. THE PROJECT

- 3.1 This project would assist leading institutions throughout Latin America in the design and dissemination of successful approaches in management training and sustainable development including: new cost-effective products, methods, and materials tailored to the specific needs of SMEs; materials and methodologies designed to incorporate environmental considerations into business planning and decision-making for SMEs; leveraging public and private sector resources for the development, testing and marketing of new products and approaches; and disseminating products and practices throughout the region. The direct beneficiaries, accordingly, would be those institutions that would receive grant resources to design, test, and market products and training practices for the SME sector. Indirect target beneficiaries, however, would be small and medium enterprises that would have available improved, cost-

effective, and accessible management training products, methods, and materials.

A. Objectives

3.2 The overall objective of the project is to expand and justify the supply of management training available for the small- and medium enterprise sector in order to increase firm productivity and competitiveness in the region.

3.3 Specific objectives of the project are to:

- a. promote cost-effective, sustainable, and market-driven solutions to management training for SMEs;
- b. test new methodologies and products in management training and sustainable development;
- c. leverage public/private sector resources necessary to create and disseminate successful models and environmentally sustainable solutions; and
- d. foster the creation of a network of management and sustainable development training providers throughout the region to encourage mutual learning and collective innovation for SMEs.

B. Description

3.4 To meet these objectives the project would consist of two components: (i) Demonstration projects and (ii) Dissemination of successful approaches in management, training and sustainable development of SME's.

(i) Demonstration projects

3.5 Under this component, the Bank would approve a number of demonstration projects that would be executed by training institutions throughout the region that have demonstrated leadership in the field of executive education, management training, and/or sustainable development through a competitive bidding process. Institutional qualifications for bidding and eligibility criteria for the selection of proposals may be found attached as Annex I.

3.6 Management training institutions would be invited to submit detailed project proposals with emphasis on technical assistance, local capacity building, product development, and diffusion of new practices to the SME sector. The specific objectives of the demonstration projects are listed in paragraph 3.3. A demand analysis of the training needs of potential SME participants, including a sectoral overview of the SME target group in the particular country or sub-region would be a prerequisite for project approval. Institutional matching of 50% of the total cost

of the demonstration project would also be a requirement: 35% of this counterpart contribution would be in cash, 15% could be in-kind. MIF grant resources would not exceed US\$500,000 per institution. MIF resources would not be available for financing the direct costs of training.

3.7 Illustrative types of activities that would be supported under this component would include:

- a. Research and development of innovative and cost-effective management training and/or sustainable development training products, methods, and materials. **Training products** may consist of any combination of the following: curricula, short courses, training modules, training networks and consortia, methodologies for analyzing training needs, methodologies for forecasting training needs, evaluation tools, certification frameworks, information data bases, open and distance learning material; **training methods** could include: group training, distance training, semi-autonomous/flexible training; **training materials**: printed (books, manuals, guides), audio cassettes, video cassettes, electronic-based materials.

The result of this activity would be an increase in the volume of cost-effective executive education, short courses, and firm-level training materials and programs for SMEs and an improvement in the quality and availability of educational products for this sector.

- b. Training of trainers through targeted short courses and workshops for faculty and private sector representatives. The result of this activity would be an expansion of faculty resources and educational services in management training institutions that serve the SME sector for executive education and firm-level training.
- c. Collaborative programs and partnerships involving other institutions, local educational agencies, professional associations, businesses, firms, or combinations thereof to diffuse new training products, for the development of management expertise and sustainable development among the SME sector. The result of this type of activity would be a measurable demand for new management training products and materials; diffusion of skills, organizational capabilities, information and technological innovation; reduced transaction costs and enhanced mutual learning; and the creation of new mechanisms of outreach in non-capital cities and within the private sector.
- d. Development of methods for leveraging additional resources from public/private sources. The result of this activity would be formation of networks and associations with private sector firms and/or national training agencies that would have use for

new training products and practices. Through the establishment of new relationships, financial incentives (loans, tax rebates, levy-grant, vouchers, etc.) in the training and education market are extended to the SME training market and employers and trainees are encouraged to invest in training. It is projected that training institutions would be able to off-set approximately 30% of the cost of SME training by leveraging public/private sources.

- 3.8 Demonstration project proposals would be assessed not only for their technical merit and coverage of the global project objectives, but also based on their demonstration effects and marketability: the ability of the institutions to extend, duplicate, and sustain the program within their country and throughout the region.

(ii) Dissemination of successful approaches

- 3.9 Under the second project component, the outcomes/results of the demonstration projects would be made available to the network of participating institutions that received grants under the demonstration component and to other interested organizations and persons. Eligibility criteria for demonstration projects require that institutions identify and describe what would be done practically with the project's products and/or deliverables and what strategy would be implemented in order to test and disseminate the project's on-going results as widely as possible.
- 3.10 In order to disseminate these successful approaches strategies and products on a regional level, this component consists of the following activities: (i) conduct three regional workshops in selected themes that have immediate applicability for replication in business management training and sustainable development for SMEs; (ii) establish and maintain a web site on the Internet to provide up-to-date information on training products, methods, materials, and financing schemes underdevelopment through the demonstration projects and elsewhere, as well as to facilitate interchange of information on the status of these projects; and (iii) prepare and distribute a newsletter on a quarterly basis, among interested training institutions involved in SME management training and sustainable development.
- 3.11 Regional Workshops: To promote the exchange of ideas and innovation throughout the region, as well as problem solving and marketing of new products and training methodologies, the project would finance three workshops. The first workshop would be held at approximately the sixth month of project execution and would serve to bring together training institutions from around the world and the region working in the field of SME management training to exchange views and successful approaches for how to deliver management training to the SME sector.

- 3.12 The second and third workshops would be held at approximately the 18th and 36th month of execution. These workshops would be held at one of the institutions forming part of the Regional Management Training Project network and would bring together project staff, private sector representatives, and selected international experts on the subject of sustainable development and management training for SMEs.
- 3.13 All workshops would be conducted through the contracting of consultants, to be hired by the Bank with the project's funds, to undertake the following: (i) prepare workshop material, (ii) plan and conduct workshops, (iii) ensure the dissemination of the findings of each workshop among participants, SME networks, and internationally, and (iv) establish terms of reference for the midterm and ex-post evaluation. A total of 8 consultant months has been budgeted to carry out the workshops.
- 3.14 In addition to the consultants hired to organize and facilitate the workshops, the project would fund a study to examine financing mechanisms for SME management training that would feature as an agenda item in the second workshop under the project. As the Bank will be interested in monitoring the price of the management training products, methods, and materials, the outcome of this study will help to establish pricing mechanisms and indicators for such continual monitoring. Terms of reference for this study would also be the responsibility of the consultant hired to organize and facilitate the workshops. A total of 4 consultant months has been budgeted for the preparation of the study.
- 3.15 Electronic Web site: This activity would entail the establishment of an electronic web site that will interconnect and provide a network for information for dissemination among participating institutions. The web site would serve to connect international suppliers of educational and training products with Latin institutions involved in this regional program, and to assist in the dissemination of project experiences and marketing of new products and teaching/learning/outreach methodologies. Interconnections with existing institutional or commercial networks would also be explored. A total of 6 consultant months has been estimated for this activity.
- 3.16 Newsletter: The publication of a quarterly newsletter would be prepared by consultants and disseminated among participating institutions to inform on the progress and status of other demonstration projects and the development of innovative products to serve the training needs of the SME sector. The newsletter circulation would be designed to extend itself to training suppliers in Latin America and internationally and to private industry groups and associations affiliated with the SME sector. It is estimated that 4 consultant months would be needed for this activity. Although the project would initially finance this activity during the execution period, the expectation is that this

function would be absorbed by the network of institutions involved in this regional program at completion of project execution.

C. Organization and execution

- 3.17 The project would be executed over a period of 40 months from the date of approval of financing by the MIF. Basic oversight responsibility for the project would rest with the Regional Technical Cooperation Division of the Integration and Regional Programs Department (INT/RTC). Responsibilities of the Bank would be to: (i) evaluate program proposals based on established selection criteria; (ii) select and contract institutions to undertake demonstration projects; (iii) identify, contract and supervise consultants for the dissemination component; and (iv) contract external consultants to evaluate program effectiveness.
- 3.18 Private sector institutions that area leaders in the field of management training and education for small and medium enterprises in Latin American countries would be invited by the Bank to bid on the demonstration project component of the project. These institutions must have demonstrated capacity, established networks with the SME sector, and already existent programs for training, curricula development, and teaching materials for business management, executive education and sustainable development for the SME sector.
- 3.19 The Bank would invite these preselected institutions to submit proposals for consideration within a period of two (2) months from the date of the approval of the financing. Institutional contracts for each demonstration project would be awarded based on the established eligibility criteria set out in Annex I. Institutional matching of 50% of the total cost of the demonstration project would be a statutory requirement. MIF grant resources would not exceed US\$500,000 per institution, a figure that was arrived at based on discussions with institutions that participated in the April meeting. This figure, when complemented by 50% institutional matching funds, was considered sufficient to accommodate research and development costs as well as testing and marketing of new products and approaches. Each demonstration project must contain counterpart funding and a fee structure with the aim of promoting eventual institutional, industry and/or national financing of the training. Project execution of each individual demonstration project would not exceed 36 months.
- 3.20 Proposals meeting the eligibility criteria, would be reviewed and evaluated by a Program Advisory Committee (PAC), to be established by the Bank upon the approval of the financing by the Donors Committee of the MIF. The PAC would consist of one representative each from the MIF, Integration and Regional Programs Department (INT), the Social Programs and Sustainable Development Department (SDS), and three representatives from the Latin American private sector. The Bank would contract three representatives from the private sector, knowledgeable of management training needs and

sustainable development issues of the SME business sector, to come to Washington, D.C. for one week to review proposals with Bank PAC members. The PAC would either grant financing for proposals as submitted or express recommendations to modify proposals. The decision of the PAC would be final.

- 3.21 To provide support to the Bank for project administration activities, individual consultants would be contracted to undertake, in association with Bank units, a mid term evaluation of all or a representative sample of the demonstration projects being prepared; carry out, in association with Bank units, and a final evaluation of the results of the demonstration projects prepared by the management training institutions and prepare a final report of the results of the project.

D. Project cost and financing

- 3.22 The total cost of the project is estimated at US\$6,850,000. The MIF would contribute on a non-reimbursable basis the equivalent of US\$3,750,000 of which, US\$3,000,000 (80%) would finance eligible costs for the demonstration projects to be undertaken by the management training institutions selected. As a condition of the MIF's financing of these projects, each selected institution undertaking a demonstration project, would provide 50% counterpart matching funding: a minimum of 35% of the counterpart contribution would be in cash; 15% could be attributed to in-kind contributions. The remaining US\$750,000 (20%) of the MIF contribution would be allocated to the financing of the hiring of consultancy services for: the dissemination activities contemplated (workshops, web sites and newsletter), the evaluation of the project results and and for contingencies. US\$100,000 has been attributed to counterpart financing under the dissemination component activities, to be provided by the network of institutions that would receive matching grants under the project, for general support in the organization and delivery of three regional workshops (venue, conference services, participant travel and per diem costs will be borne by the institutions).
- 3.23 The following is a breakdown of project costs and their financing. A more detailed budget is shown on Annex IV.



**Project Costs and Financing**  
**US\$**

CATEGORIES	MIF	LOCAL	TOTAL
I. Demonstration Projects for SME sector (max. up to x US\$500.000 per project)	3.000.000	3.000.000	6.000.000
II. Dissemination of "successful practices" results (workshops; website; newsletter)	333.900		333.900
2. Individual Consultants	<u>283.900</u>		<u>283.900</u>
3. Participants for Workshops		<u>50.000</u>	<u>50.000</u>
6. General Support		<u>50.000</u>	<u>50.000</u>
7. Publications	<u>50.000</u>		<u>50.000</u>
III. Evaluation of Project Results	104.400		104.400
2.1 Honoraria	84.000		84.000
2.5 Travel	20.400		20.400
98. Contingencies	311.700		311.700
<b>TOTAL</b>	<b>3.750.000</b>	<b>3.100.000</b>	<b>6.850.000</b>

**IV. DISBURSEMENTS**

- 4.1 Disbursements of the resources of the grant and procurement of the goods and services would be made in accordance with standard Bank procedure. An advance of up to 10% of the amount of the grant could be made upon request of the participating institution, for the demonstration projects.

**V. BENEFITS AND RISKS**

**A. Benefits**

- 5.1 The benefits of the proposed project are as follows: (i) it is innovative in nature as it contemplates the development of new products, pedagogical approaches and training as well as training strategies based on the needs of the SME sector in Latin America; (ii) it will establish what the realities of the current market place are for management training among small and medium-sized businesses, and will disseminate succesful approaches methodologies and products to address imperfections in this market; (iii) it will determine what the financial impediments are to meeting the demands of this market; and (iv) it will create a

regional network of providers of goods and services for the SME management training market that has previously not been available.

B. Risks

- 5.2 The first risk of the project relates to its product orientation: namely that the focus is on the production of new management training materials and approaches for SME decision-makers and not on the demand for these products. The second risk is related to the overall sustainability of the program: there is a high cost in reaching out to SMEs and innovative training products and flexible delivery mechanisms may only be perceived as necessary on a one-off basis by the SME sector. If this were the case it would be difficult for the institutions to sustain the development of new products because they would not lead to a capacity for self-help and for continual upgrading.
- 5.3 To mitigate these risks, the program requires that training institutions invest as partners with the Bank, contributing 50% in counterpart financing for each demonstration project. Moreover, eligibility and selection criteria for grants establish strict guidelines as to the applicability and sustainability of training design and delivery outputs. Specifically, the proposals to be presented must establish and demonstrate a demand for the outputs to be developed and clearly identify the expected results to be achieved.

**VI. COMPLIANCE WITH PROJECT ELIGIBILITY CRITERIA**

- 6.1 General Criteria for Project Eligibility - The proposed project is consistent with the general purpose of the MIF approved in the Agreement Establishing the MIF, specifically Article I, (b) referring to the implementation of development strategies which promote private sector participation.
- 6.2 Facility Criteria for Project Eligibility - The project is consistent with the criteria for grant financing under the Human Resources Facility of the MIF Agreement which establishes, among other criteria, that grants be provided to develop the skills of the work force.

**VII. FUNDING MODALITY**

- 7.1 The project is expected to be financed through a grant based on the following points: i) all participating countries were declared eligible for all modalities of financing under the MIF by the Donors Committee; ii) the compliance of all participating countries to the criteria of eligibility for obtaining grant resources at the country level (Article 3, Section 5b of the MIF Agreement) is detailed in section III paragraphs 3.1, 3.2 and 3.3 of the Eligibility Memorandum of the country (MIF/GN-8); and iii) the

proposed project will have an important impact on the promotion of environmental considerations into business decision-making ranks.

#### VIII. EVALUATION

- 8.1 Following the selection of the demonstration projects by the PAC, the Bank members of the PAC would be responsible for working with Evaluation Office of the Bank in the definition of monitoring and evaluation indicators of each demonstration project to ensure that the demonstration projects' indicators are relevant and measurable.
- 8.2 There would be two external assessments of the project: a mid-term review at the 18 month point; a second assessment at the 36 month. At the mid-term review, an external consultant(s) would be hired to conduct individual reviews of each of the demonstration projects under financing. The purpose of this preliminary review would be to determine whether the objectives of the demonstration project were met; to identify successes and problems in the current projects; consider the efficiency of the individual projects in comparison with other costs of alternative approaches; assess the sustainability of the projects; and incorporate lessons learned.
- 8.3 Once individual assessments of demonstration projects were completed, a consultant would organize and facilitate a workshop at approximately the 18th month to disseminate results of the individual reviews and to discuss new innovation and successful approaches to address the issue of management training.
- 8.4 An final evaluation will be conducted at the completion of the demonstration projects to evaluate the training models and to measure the impact of the training products, methods, and materials on the indirect target beneficiaries in accordance with the project indicator table attached in Annex III.

**INSTITUTIONAL QUALIFICATION**

**I - INFORMATION ON THE CONTRACTING ORGANIZATION**

Name of the organization:

Complete Address:

  

Telephone Number:

Fax Number:

Name and title of  
responsible person:

  

Signature

Date

<b>II - INSTITUTIONAL CRITERIA</b>
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**A. Eligible participants**

Private sector institutions, that are leaders in the field of management training and education for small and medium enterprises in Latin American countries, will be eligible to submit proposals. Institutions must demonstrate that they have an established faculty and alumni involved in training and education in business management for small and medium enterprises. Applications for grant assistance for demonstration projects must contain: a detailed institutional statement of purpose including: administration and executive organization, financial standing, number and qualifications of faculty (full and part-time), courses offered, alumni in matriculation (present year), and graduated (previous year).

**B. General conditions for submitting institutional statements**

Institutional statements must be completed and received within a two month period from the date of solicitation and should not exceed 5 pages. Institutional statements should be sent separately from the Demonstration Project Eligibility Criteria and in duplicate to: Chief, Regional Technical Cooperation Division of the Integration and Regional Programs Department (INT/RTC), Inter-American Development Bank, 1300 New York Avenue, N.W., Washington, D.C. 20577.

### III. DEMONSTRATION PROJECT ELIGIBILITY CRITERIA

#### A. General conditions for submitting proposals

Applications must be completed and received within a two month period from the date of solicitation. Project proposals should not exceed 15 pages, exclusive of annexes. Project proposals should be sent in duplicate to: Chief, Regional Technical Cooperation Division of the Integration and Regional Programs Department (INT/RTC), Inter-American Development Bank, 1300 New York Avenue, N.W., Washington, D.C. 20577.

#### B. Project Contracts

Once a demonstration project is determined eligible for matching grant financing, the Bank will enter into a project execution contract with the corresponding training/education institution to conduct the activities agreed upon.

#### C. Content of the proposal

##### 1. Background to the project

Demand analysis: proposals must include an analysis of the training needs of potential SME participants (firm size, turnover rate, education characteristics, etc.), including a sectoral overview of the SME target group in the particular country or sub-region.

Context: In which context do you place your project? What identified needs does the project respond to? How does this demonstration project relate to your organizational strategy?

Innovation: The demonstration project proposal must describe the innovative nature of the project e.g. what innovative characteristic in terms of research or training methodology, content, training practice, delivery or tools, is proposed and how this meets actual or anticipated needs in the market.

Impact: What kind of impact is anticipated from the demonstration project? Impact may be described in terms of systems, structures, and/or training approaches. This section should also include target numbers for training activities.

## 2. Objectives

Each proposal must indicate the manner and extent to which it refers to and implements the immediate objective(s) of the Regional Management Training Project:

- (a) promote sustainable market-driven solutions to management training for SMEs;
- (b) test new methodologies and products in management training and sustainable development;
- (c) leverage public/private sector resources necessary to create and disseminate successful models and environmentally sustainable solutions; and
- (d) foster the creation of a network of management and sustainable development training providers throughout the region to encourage mutual learning and collective innovation for SMEs.

## 3. Eligible activities for grant funding may include but are not limited to the following:

- (a) Research and development of innovate and cost-effective management training and/or sustainable development training products, methods, and materials. **Training products** could consist of any combination of the following: curricula, short courses, training modules, training networks and consortia, methodologies for analyzing training needs, methodologies for forecasting training needs, evaluation tools, certification frameworks, information data bases, open and distance learning material; **training methods** could include: group training, distance training, semi-autonomous/flexible training; **training materials**: printed (books, manuals, guides), audio cassettes, video cassettes, electronic-based materials.
- (b) Training of trainers through targeted short courses and workshops.
- (c) Collaborative programs or partnerships involving other institutions, local educational agencies, professional associations, businesses, firms, or combinations thereof to diffuse new training products, the development of management expertise and sustainable development among the SME sector.
- (d) Development of methods for leveraging additional resources to cover some of the costs of training for SME owner/managers from public/private sources.

4. Project management internal monitoring

A description of the action plan/overall timetable in terms of the main operational phases of the demonstration project, and what is intended to be achieved in each phase.

A description of the internal arrangements for project management, monitoring and evaluation.

Definition of the management procedures and processes would be used to implement the above action plan.

5. Dissemination of results

The demonstration project proposal must describe how results will be disseminated at the project level. "Dissemination" means making available to other interested organizations/persons, the outcomes/results of the project. What will be done practically with the project's products and/or deliverables? What strategy will be implemented in order to test and disseminate the project's on-going results as widely as possible? How will the products be commercialized?

6. Maximum level of support, budget

For every demonstration project there is a maximum amount of financial support (US \$500,000) that would be provided by the MIF. The grant awarded, however, may be for less than the maximum. Each proposal for demonstration projects must contain a budget of costs, and financing from counterpart sources. Institutional matching of 50% of the total cost of the demonstration project would be statutory requirement: 35% of this counterpart contribution would be in cash, 15% could be in-kind. MIF resources would not be available for financing the direct costs of training. In addition, proposals must provide a fee structure for the partial or total recovery of costs, with the aim of promoting eventual institutional, industry and/or national financing of the training.

Costs eligible for MIF support are actual costs borne by the institutions during the duration of the contract and necessary for the performance of the work defined in the contract. Costs may include all or part of the following general categories: personnel costs, overheads, travel and per diem, sub-contracting costs, payment of trainers, material development, computing equipment (subject to proper justification). Grant resources are excluded for the following categories: durable equipment, payment to a national structure, as any form of profit or gain are disallowed, demand subsidies. Only actual expenditures within the limits set by the contract will be reimbursed by the Bank.



7. Duration of Execution

Each demonstration project for business management training must be executed during a period not to exceed thirty-six months from the date of signature of the corresponding project execution contract with the Bank. Disbursements of the MIF grant financing will be effected upon an agreed schedule in accordance with standard Bank procedure.

8. Evaluation

Demonstration project proposals must describe the evaluation strategy and criteria that will be followed for each phase of the project's life. Performance monitoring indicators, means of verification, and assumptions must correspond to each project activity called for in the demonstration project.

### PROJECT INDICATORS

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p><i>Overall goal</i></p> <p>To expand and diversify management training products for the small and medium enterprise sector (SMEs), in order to increase firm productivity and competitiveness in the region.</p>	<p>Training programs financed under program are targeted at specified market, based on market analysis that demonstrates high level of demand.</p> <p>Number of programs, technologies, and materials produced with resources from the program.</p> <p>Number of beneficiaries of the programs, technologies, and materials produced with resources from the program.</p> <p>% of beneficiaries who indicate using tools or skills acquired through the training developed by the program.</p> <p>% of beneficiaries who indicate change in their work processes or productivity as a result some change related to the training developed by the program.</p>	<p>Annual project execution reports and follow-up with direct beneficiaries.</p> <p>Follow-up with indirect beneficiaries, to be carried out by direct beneficiaries annually. Case management systems included demonstration project design to track participant progress.</p> <p>Improved design, delivery and financing mechanisms are developed and disseminated through electronic links, workshops and print media.</p>	<p>The obstacles to effective development of relevant training products for the SMEs are largely related to the high cost of initial design and development of appropriate materials and technologies.</p> <p>Market imperfections exist in the training market;</p>

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
Promote sustainable market-driven solutions to management training for SMEs.	<p>Number of beneficiaries of the programs, technologies, and materials produced with resources from the program.</p> <p>Net revenues from sale of programs, technologies, and materials.</p> <p>%of SMEs that are aware of programs and products for management training.</p> <p>Numbers of SMEs participating and impact on their profitability.</p>	<p>Annual project execution reports and follow-up with direct beneficiaries one year after execution period.</p> <p>Follow-up with a sample of indirect beneficiaries one year after execution period.</p>	The SMEs will be willing to pay for programs and materials that are relevant to their enterprises' needs and that are compatible with their time and income constraints.
Test new methodologies and products in management training and sustainable development;	% of new programs, products, and methodologies produced with resources from the programs which incorporate new technologies, innovative approaches and/or materials.	Assessment of proposals, materials and project execution reports.	Training institutions capable of sustaining projects beyond the length of grant period.

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
Leverage public/private sector resources necessary to create and disseminate successful models and environmentally sustainable solutions; and	<p>Training institutions would leverage approximately 30% of the cost of training from public/private sources.</p> <p>Institutional matching of 50% of costs of demonstration projects achieved for the development of new products, technologies, and materials.</p> <p>Dialogue with public sector established in each country where demonstration projects are carried out to encourage use of financial incentives for SME management training.</p>	<p>Project budgets and cost-recovery schedules reflect other sources of financing from public sector and industry.</p> <p>Cost-effective strategies such as the secondment of instructors from private industry form part of demonstration project design. Annual project execution reports and follow-up with direct beneficiaries included in monitoring and evaluation exercises.</p>	<p>End users willing to finance share of training costs.</p> <p>The creation of relevant training products will generate interest in promoting demand for further training.</p> <p>Framework exists of financial incentives (loans, tax rebates, levy-grant, vouchers, etc.) in training and education market in the countries where demonstration projects are implemented that encourage employers and trainees to invest in training.</p>
Foster the creation of a network of management and sustainable development training providers throughout the region to encourage mutual learning and collective innovation for SMEs.	<p>Three regional workshops completed by project.</p> <p>Number of consultations to the web site created by the program.</p> <p>Distribution of 1000 copies of a network quarterly newspaper</p> <p>Awareness among training providers of new opportunities and products.</p>	<p>Web site monitoring</p> <p>Annual project execution reports</p> <p>Follow-up with direct beneficiaries.</p> <p>Significant participation at workshops from region and from international providers of training services and products for SMEs.</p>	<p>Network established by project is sustained and is strengthened in terms of numbers due to interest and commitment to SME sector productivity and competition.</p>

### DETAILED BUDGET

CATEGORIES	MIF	LOCAL	TOTAL
I. Demonstration Projects for SME sector (max. up to x US\$500.000 per project)	3.000.000	3.000.000	6.000.000
II. Dissemination of "successful practices" results (workshops; website; newsletter)	333.900		333.900
2. Individual Consultants	<u>283.900</u>		<u>283.900</u>
2.1 Honoraria 18 months x US\$7.000 = US\$126.000 6 months x US\$6.000 = US\$ 36.000 8 months x US\$5.000 = US\$ 40.000	202.200		202.200
2.2 Emoluments 5 facilitators x US\$9.000	45.000		45.000
2.5 Travel  2.5.1.1 Tickets 15 trips x US\$1.500 = US\$22.500  2.5.1.2 Per Diem 80 days x US\$180 = US\$14.400	36.900		36.900
3. Participants for Workshops		<u>50.000</u>	<u>50.000</u>
6. General Support		<u>50.000</u>	<u>50.000</u>
7. Publications	<u>50.000</u>		<u>50.000</u>
7.1 Printing and Distribution	44.000		44.000
7.2 Web Site Line	6.000		6.000
III. Evaluation of Project Results	104.400		104.400
2.1 Honoraria 12 months x US\$7.000	84.000		84.000
2.5 Travel  2.5.1.1 Tickets 10 trips x US\$1.500 = US\$15,000 2.5.1.2 Per Diem 30 days x US\$180 = US\$5.400	20.400		20.400
98. Contingencies	311.700		311.700
TOTAL	3.750.000	3.100.000	6.850.000

PROPOSED RESOLUTION

REGIONAL. NONREIMBURSABLE TECHNICAL COOPERATION FOR  
A REGIONAL MANAGEMENT TRAINING PROGRAM

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 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 Regional Management Training Program.

2. That up to the amount of US\$3,750,000, or its equivalent in other convertible currencies, is authorized for the purpose of this resolution, chargeable to the resources of the Human Resources Facility of the Multilateral Investment Fund.

3. That the above-mentioned sum is to be provided on a nonreimbursable basis.