

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

## **COLOMBIA**

### **NETWORK OF AGUABLANCA SHOPKEEPERS**

**(TC-03-03-03-7-CO)**

#### **EXECUTIVE SUMMARY**

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### EXECUTIVE SUMMARY

<b>Executing agency:</b>	Fundación Carvajal [Carvajal Foundation]	
<b>Amount and source:</b>	IDB:	US\$245,000
	Local:	US\$ 47,000
	Total:	US\$292,000
	The funds will be drawn on the Swedish Fund for financing small projects.	
<b>Terms:</b>	Term for commitment:	36 months
	Disbursement period:	42 months
<b>Problem to be addressed:</b>	An estimated 60% to 70% of microenterprises in the Aguablanca District of Cali are shops. The most conservative calculations indicate that there are some 7,000 neighborhood shops, the vast majority of which are attached to family residences. A recent study found that over 30% of the shops were established because the family was unemployed, serving as a source of socioeconomic stabilization in the District. Those stores, however, operate in an isolated manner, with a lack of job security, weak business management and small profit margins, which limits the living conditions of the shopkeepers and their families.	
<b>Objectives:</b>	The general objective of the project is to improve the socioeconomic status of roughly 500 shopkeepers in Aguablanca and their families.	
	The specific objectives are to: (i) form an association (network) of shopkeepers as a means for sustainable, efficient cooperation, to break their current isolation; (ii) improve the working conditions and welfare of the shopkeepers and their families; (iii) develop tools and services enabling them to improve their administrative and business management; and (iv) incorporate the shopkeepers into efficient brokering and distribution systems for consumer products.	

**Beneficiaries** The proposed project would directly benefit a pilot group of roughly 500 shopkeepers and would give the Network of Aguablanca Shopkeepers (NAS) experience, preparing it for most of the 7,000 shopkeepers in the District to join in the future.

The project would also indirectly benefit the shopkeepers' families and the entire Aguablanca community.

**Description:** The project is divided into the following components:

**1. Establishment, implementation, and strengthening of the Network of Aguablanca Shopkeepers**

The purpose of this component is to create a sustainable cooperation mechanism that would break the shopkeepers' current isolation. To that end, the project would establish the Network of Aguablanca Shopkeepers (NAS), initially targeting a pilot group of roughly 500 shopkeepers, who would benefit from increased bargaining power and would be able to establish pacts, forge alliances, obtain larger discounts from commercial suppliers and health providers, and access business development services.

**2. Development of services for members of the NAS**

This component develops the services that the NAS would provide to its members, including member access to Social Security, providing health, pension, and occupational hazard coverage; access to other social services through agreements with other entities; and, lastly, access to business development services.

**3. Development of efficient purchasing and distribution systems**

This component seeks to make the mechanisms for supplying retail products as efficient as possible, which would improve the prices and variety of all the products in the basic shopping basket offered by shops in the Network. Efficiency gains in their purchasing systems will be achieved by developing and executing processes in which the shopkeepers bargain and purchase as a group, enabling the NAS to obtain discounts for its members from suppliers and other wholesalers, including Galería Santa Elena, Galería La Floresta, or Makro. It would also pursue agreements with the shops' materials suppliers and service providers, and information and marketing tools will be developed to tailor the products in the basic shopping basket they offer to the needs and preferences of the Aguablanca community.

**Social and environmental review:**

The project seeks to increase the income and enhance the socioeconomic status of the families of some 500 Aguablanca shopkeepers. The project is expected to have a positive impact on disadvantaged populations. At least 60% of the beneficiaries will be women, and the project is expected to have a high impact on Afro-Colombian shopkeepers living in the Aguablanca area.

The Committee on Environment and Social Impact (CESI) reviewed and approved the project profile at its 11 April 2003 meeting. According to the minutes from that meeting, the project did not require additional assessments or other action.

**Risks:**

The first risk is that the shopkeepers may be resistant to organizing as a network. To mitigate this risk, awareness-raising and training on the establishment of associations will be carried out, aimed at stopping the shopkeepers' current individualistic arrangements. The project will seek support from entities in Cali that have successfully promoted cooperative schemes, and emphasis will be placed on flexible implementation of member services, to make the association system credible.

A second risk is that a significant number of network members could stop working as shopkeepers because of the emergence of big-box stores or weakening demand. To mitigate this risk, the NAS will establish selection criteria that stem the proliferation of shops that are not viable businesses.

A third risk would be the lack of demand among shopkeepers in the Network for participating in the Comprehensive Social Security system. At various meetings that Fundación Carvajal has held with shopkeepers, the latter have said that they need access to health and pension services through the Social Security system. Moreover, the program activities include awareness-raising and information sessions about the merits of the Social Security system. The Ministry of Social Welfare has expressed interest in supporting the project and would conduct campaigns to that end.

**Reports and evaluations:**

**Reports.** Fundación Carvajal will submit semiannual reports to the Bank, containing financial and narrative information, within 30 days of the close of each six-month period, starting in the period in which disbursements commenced. At a minimum, they will include: (i) narrative and financial information on the activities being executed; (ii) information on the progress made in forming the groups and their activities; (iii) the fulfillment of execution indicators and project achievements; and (iv) the lessons learned during that period. The Bank will review the reports' findings and recommendations. If

significant shortcomings in project execution are detected, the Bank will not authorize any further disbursements until Fundación Carvajal has taken satisfactory steps to correct them.

Fundación Carvajal undertakes to present to the Bank's satisfaction, within 90 days following the release of the last disbursement from its contribution, a financial statement of project expenditures made using the Bank and local counterpart contributions, audited by independent auditors acceptable to the Bank and in accordance with standards satisfactory to the IDB.

**Evaluations.** Fundación Carvajal will be responsible for compiling and analyzing relevant information for ongoing monitoring of the project performance indicators; it will hire a consultant to establish baseline parameters and design a system of indicators for monitoring and evaluating project activities, which will complement or update those contained in the logical framework. Once agreed, those parameters and indicators, together with the ones in the logical framework, will serve as the basis for monitoring project performance. Fundación Carvajal will use a software system to monitor the indicators, evaluate the project, and gauge the impact of the operation. These indicators will be considered in the progress reports and in the mid-term and final evaluations. Upon completion of the project, the monitoring and measurement system will be transferred to the Network.

When 40% of the funds have been disbursed, Fundación Carvajal will hire an external evaluator to perform the midterm evaluation. The candidate must have the no-objection of the Bank. The main items to be examined in the midterm evaluation include: (i) demand among women for project activities and services; (ii) compliance with the procedures and regulations established by the executing agency for the project; (iii) the project's responsiveness to demand; (iv) changes in the indicators in the logical framework and the performance indicators established, with respect to the baseline; and (v) recommendations for the Bank and the executing agency on how to improve project management.

When 90% of the funds have been disbursed, the Bank will hire external evaluators to perform a final project evaluation, using resources from the technical-cooperation component. The final evaluation will include analysis of the following elements: (i) the Network's progress in implementing its business plan, measured against the target indicators in the logical framework, and improvements in the socioeconomic status of the shopkeepers over the initial baseline; (ii) the future sustainability of the NAS and its services; (iii) the Network's capacity to assume management of a

Fundación Carvajal warehouse; (iv) the executing agency's efficiency and effectiveness in administering Bank funds; and (v) the lessons learned from the project that could be applied to other Social Entrepreneurship Program (SEP) operations.

<b>Bank strategy:</b>	The Bank's country paper for Colombia was approved in July 1999. The latest update to the strategy, released in September 2003, cites as priority strategic areas the promotion of competitiveness, with emphasis on micro, small, and medium-sized enterprises (MSMEs), and greater coverage and efficiency in the delivery of social services, among others.
<b>Coordination with other multilateral institutions:</b>	The proposed project has been brought to the attention of the Colombian international cooperation agency, which coordinates and reports on the different work being done by multilateral organizations and bilateral donors with microenterprise groups.
<b>Rationale:</b>	The project would benefit some 500 shopkeepers and their families, whose income would be increased by reducing the price they pay to purchase products. The project would also build their administrative and managerial skills through training courses, resulting in more efficient management of the shops. Lastly, the shopkeepers would have the opportunity to receive, under desirable terms, services negotiated by the NAS from health and education providers, among others. In short, the Network would become a tool for enhancing the economic and social development of the shopkeepers.
<b>Special contractual conditions:</b>	<p>For the first disbursement, Fundación Carvajal will present to the Bank's satisfaction: (i) a work plan for the first year of project execution; and (ii) the appointment of a project coordinator, in accordance with Bank procedures.</p> <p>Regarding execution of the components, Fundación Carvajal must present the baseline study when no more than 30% of the funds have been disbursed.</p>
<b>Exceptions to Bank policy:</b>	None.