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MULTILATERAL INVESTMENT FUND

COLOMBIA

**STRENGTHENING OF THE BUSINESS AND AGROINDUSTRIAL CAPACITY
OF ALTERNATIVE DEVELOPMENT PRODUCER GROUPS**

(CO-M1025)

DONORS MEMORANDUM

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ABBREVIATIONS

CESI	Committee on Environment and Social Impact
MIF	Multilateral Investment Fund
MSMEs	Micro, small and medium-sized enterprises
PLANTE	Plan Nacional de Desarrollo Alternativo [National Alternative Development Plan]
UNODC	United Nations Office on Drugs and Crime

**STRENGTHENING OF THE BUSINESS AND AGROINDUSTRIAL CAPACITY OF
ALTERNATIVE DEVELOPMENT PRODUCER GROUPS**

I. EXECUTIVE SUMMARY

Executing agency:	The United Nations, acting through the United Nations Office on Drugs and Crime (UNODC).		
Beneficiaries:	The direct and immediate beneficiaries of this program will be approximately 3,000 producers in at-risk areas who are interested in working cooperatively and already belong to the member associations of Fundación Productos de Paz.		
Financing:	MIF (nonreimbursable):	US\$1,430,000	(50%)
	Local counterpart:	<u>US\$1,430,000</u>	<u>(50%)</u>
	Total:	US\$2,860,000	(100%)
Objectives:	The goal of the project is to help make groups of rural micro, small and medium-sized producers in Colombia more competitive. The purpose is to implement a sustainable marketing model for 10 groups of agroindustrial producers of alternative development products. The project combines the alternative development strategy with an internationalization mechanism for rural producers that has proven successful in a current MIF project in Uruguay. There are five components: (i) strengthening of 10 groups of agroindustrial producers with trade potential; (ii) technical assistance to match supply to demand; (iii) Bogota logistics and trade platform; (iv) international marketing unit; and (v) dissemination of the model and outcomes.		
Execution timetable:	Execution period:	36 months	
	Disbursement period:	42 months	
Special contractual conditions:	As conditions precedent to the first disbursement: (i) the project director must be selected; (ii) the operating regulations must be in effect; (iii) the Advisory Council must be formed; (iv) the project's General Execution Plan must be submitted for the Bank's approval; and (v) the cooperation agreement between the United Nations, acting through UNODC, and Fundación Productos de Paz (FPP) for project execution must be in effect.		
Exceptions to Bank policies:	None.		

Environmental and social review:

The Committee on Environment and Social Impact (CESI) reviewed the project abstract at its meeting 02-07 on 19 January 2007. It recommended that a general strategy be developed to comply with environmental standards. The alternative development strategy on which this project is based includes implementation of acceptable environmental practices (paragraphs 2.3.i, 2.3.iii, and 2.3.iv). The potential direct and indirect adverse impacts will be identified and mitigated: (i) in the groups' action plans (paragraph 3.3); (ii) in the training provided under Component II (paragraphs 3.5.ii and 3.5.vii); and (iii) on the basis of specific assessments (paragraphs 6.2.v and 6.3.iii).

Coordination with other donors:

This project will complement activities currently being carried out by the United Nations in Colombia (see paragraph 2.2).

II. BACKGROUND AND RATIONALE

A. The alternative development concept

- 2.1 Some 100,000 families are devoted to coca farming in Colombia. While the amount of land used for coca farming has decreased by 51% since 2000, new crops continue to appear every year. The United Nations General Assembly has identified several causes of illicit crops in the Andean region: poverty, isolation, lack of market access, and opportunities to sell illicit products in rural areas.
- 2.2 According to estimates, the alternative development projects of the United Nations Office on Drugs and Crime (UNODC) have prevented more than 50,000 hectares from being used for illicit crops since 1996 and have brought benefits to some 10,000 rural families through alternatives such as dual-purpose livestock farming, forestry, and traditional crops such as coffee, beans, cacao, bananas, fruits, palm hearts, and sugar cane. The alternative development model was originally devised by the United Nations and gradually expanded beyond merely growing new crops to include processing the produce and marketing through rural cooperatives or farmers' associations, as well as through partnerships with the private sector.
- 2.3 Alternative development is an essential strategy for preventing and counteracting the devastating effects that illicit crops have on rural communities, usually located in highly fragile environments far from large urban centers. Alternative development generally involves: (i) adapting local productive infrastructure and transfer of effective production technologies; (ii) consolidating channels for community transformation and marketing, in order to bring producer supply into line with market demand; (iii) freeing up areas for conservation and reforestation pursuant to the guidelines of environmental authorities; and (iv) providing training, assistance, social strengthening, and technology transfer for forest management and protection.

B. Progress to date: “Products of Peace”

- 2.4 In addition to providing support to small-scale producers, and as a marketing aid, UNODC has worked with the two supermarket chains: Carrefour and CAFAM, and the Office of the Vice President of Colombia to encourage alternative development organizations to form a national network under the name, “Products of Peace.” UNODC has also negotiated trade agreements with multinational firms and fair-trade companies—such as Carrefour, Éxito-Casino, Andines, and Fair Trade—for the domestic sale and/or exportation of palm hearts and beans from the department of Putumayo, bananas and plantains from the department of Meta, tomatoes from the department of Nariño, red beans from southern Bolívar department, coffee from the department of Cauca, cheese and yogurt with Amazonian fruits from the department of Guaviare, honey and coffee from the Sierra Nevada mountains in Santa Marta, textiles from the department of Valle del Cauca, and other alternative development products. These agreements are all in their infancy. Produce bulking centers have been established at central locations, and supply chains created to ensure that large orders can be met, which still need to be consolidated. Also, some companies have begun adding value to their produce, and are bulking it in certain cities as well. Further action is needed to organize, collect, and distribute these products on a larger scale both nationally and internationally.

C. Problem to be addressed: Increase productivity and access to transformation and marketing of agroindustrial products

- 2.5 While indigenous and campesino associations participating in the alternative development model receive technical assistance for production, there is still room to improve productivity in crops, as well as quality and safety standards for intake, storage, processing, packing, boxing, and shipping. Processing and value-added activities also need to be incorporated, in order to reach final markets and raise incomes. One common problem is that while “Products of Peace” are now carried in supermarkets, they are often out of stock due to logistical problems and a lack of service at points of sale. Support is also needed to create and strengthen rural organizations. This is the best strategy for building a sustainable process of alternative regional development.

D. Complementarity with other Bank projects

- 2.6 **Bank strategy and coordination with other entities.** This project will directly contribute to addressing one of Colombia’s biggest problems, especially in rural areas. Between 1997 and 2005, the Bank financed the PLANTE Alternative Development Program to help reestablish productive and social development in areas where illicit crops were being eradicated. This operation, which executed US\$40 million of the loan and US\$31 million of the counterpart funding, built social capital in target areas and devised intervention instruments to encourage the formation of producer organizations and enterprises.
- 2.7 The program’s main difficulties stemmed from a lack of participation by beneficiaries in all phases. The proposed project addresses this by having groups of

producers play a greater role than consultants in developing and designing the business plans. Another lesson from PLANTE is the importance of having beneficiaries pay for services they receive, which is a practice on MIF projects. Lastly, authorities of subnational governments (municipios, indigenous reserves, departmental governments, etc.) need to be involved in both developing the intervention strategy and supporting social and business development projects. This alternative development project already features the participation of local entities.

E. Project rationale

- 2.8 This project seeks to strengthen the alternative development model introduced by the United Nations, acting through UNODC, via strategies to strengthen producer groups and developing a logistics and marketing platform to be shared by participating groups of producers. It will be the equivalent of the sales department in a large company that will belong to Fundación Productos de Paz. Isolated communities with illicit crops in areas of conflict have proven themselves capable of becoming sustainable suppliers for supermarket chains or businesses in large Colombian cities or abroad. In 2005, purchases of alternative development products generated more than US\$6 million for a group of 10,000 producers. This figure is expected to increase to US\$20 million by the third year of the project, as a result of new producers joining and value-added in production.
- 2.9 Lastly, the project will build knowledge and develop methodologies related to the implementation process itself, for subsequent replication in other countries of the region that face similar problems.

III. PROJECT DESCRIPTION

A. Objectives

- 3.1 The goal of the project is to help make groups of rural micro, small and medium-sized producers in Colombia more competitive. The purpose is to implement a sustainable marketing model for 10 groups of agroindustrial producers of alternative development products.

B. Components

Component I: Strengthening of 10 groups of agroindustrial producers with trade potential (MIF: US\$294,000; Counterpart: US\$158,000)

- 3.2 This component will build on previous efforts in other programs and by UNODC, mainly by assisting 10 existing groups of producers with commercial potential in domestic and export markets, with an average of 300 members per group. This component will finance technical assistance and training activities for the 10 producer groups in order to: (i) form and train the project management team; (ii) prepare baseline studies; (iii) train at least 10 facilitators and 80 agents of change, including officials from subnational governments (departments and municipios) and business opinion leaders in four regions (Atlantic coast, central Colombia, Pacific coast, and Amazon region); and (iv) develop action plans.

- 3.3 This component will yield the following outcomes for each group of rural micro, small and medium-sized enterprises (MSMEs): (i) a baseline; (ii) operating regulations and a group action plan that reflect social and environmental considerations; and (iii) annual activity evaluations. At least 10 facilitators and 80 sector specialists from the supporting entities, as well as the members of the executing unit, will have received training in issues related to productive integration aimed at marketing and sales.

Component II: Technical assistance to match supply to demand (MIF: US\$478,000; Counterpart: US\$438.000)

- 3.4 This component will support the joint work of the groups of farmers; standardize production criteria, packing methods, and quality grading criteria; and obtain quality certification when required by the international market.
- 3.5 While the activities under this component will vary from group to group, the following training and specialized technical assistance activities have been identified: (i) technical assistance for 10 groups of businesses to implement domestic marketing plans and export plans; (ii) technical assistance in quality, food safety, Hazard Analysis Critical Control Point (HACCP), EurepGAP, ISO or responsible production, including a good agricultural practices manual; (iii) good manufacturing practices manuals, where appropriate; (iv) technical assistance for production; (v) by-product analysis, quality and other testing, validations, handling certifications, and others; (vi) technical assistance for transformation; and (vii) training and assistance workshops on environmental and occupational safety standards.
- 3.6 Expected outcomes are that each of the 10 groups of rural MSMEs will: (i) carry out actions to adjust and coordinate its supply of tradable products; (ii) produce for both domestic and export markets; (iii) fully comply with environmental and occupational safety standards applicable in Colombia; and (iv) have manuals on good agricultural practices and good manufacturing practices.

Component III: Bogota logistics and trade platform (MIF: US\$165,000; Counterpart: US\$432,200)

- 3.7 This component will finance the improvement of conditions for marketing alternative development products through local channels. A distribution center may be created as a product marshaling site for export shipments to be turned out as part of the following component. The creation of a unit called the “Bogota Logistics and Trade Platform” will be financed, to bulk products and distribute them effectively on the basis of orders to be received and fulfilled by the unit itself.
- 3.8 This component includes: (i) a communication plan at the local market level, with posters, catalogs, billboard advertising, and a corporate message, aimed at better positioning the “Products of Peace” in the Colombian market, where they are currently not well recognized; and (ii) two surveys on “Products of Peace” brand recognition, with all consumers as the universe. Fundación Productos de Paz will

provide the premises for the Bogota Logistics and Trade Platform, with the relevant infrastructure. As a condition precedent to disbursement of the MIF contribution for this component, these premises must have been provided.

- 3.9 The expected outcomes of this component are: (i) a logistics and trade platform in Bogota that will invoice US\$2 million in the first year, US\$5 million in the second year, and US\$10 million in the third year; (ii) positioning of the “Products of Peace” brand and Fundación Productos de Paz; (iii) a communications campaign with recognized opinion leaders on alternative development, to strengthen the “Products of Peace” brand; and (iv) sustainability in logistics and marketing, and dissemination of good practices, and traceability, in order to provide greater security to consumers.

Component IV: International marketing unit (MIF: US\$255,000; Counterpart: US\$200,000)

- 3.10 Activities under this component are aimed at developing a marketing strategy for the producer groups’ products, with support from specialists in market intelligence and foreign trade. This part of the project is based on systematic searches for business deals, so as to offer a menu of options for each group and product type to help them make marketing decisions and obtain fairer, more equitable returns than they currently receive. This will be in addition to the work done by the Ministry of Foreign Trade with larger businesses through PROEXPORT, and will complement the product support provided under that program.
- 3.11 Each group will be supported through: (i) three export plans; and (ii) implementation of communication tools to promote the 10 groups; each group will prepare business cards, corporate and product catalogs, demonstration samples, videos or online catalogs, market-specific price lists (EXW, FOB, C&F, CIF, DDP); (iii) business promotion assistance to sell products to foreign buyers; (iv) foreign trade training forums for representatives of the MSME groups; (v) international promotion activities abroad, including trade missions, participation in trade shows, market prospecting, show rooms, and tastings; (vi) purchase of equipment for the business area of the executing unit; and (vii) subscriptions to specialized publications and databases of interest for the groups and their markets.
- 3.12 The expected outcome of this component is that the groups achieve exports for US\$2 million in the first year, US\$5 million in the second year, and US\$10 million in the third year. To achieve this, (i) 10 groups of companies must have export plans for at least six markets (three high-priority and three medium-term for the first year); (ii) 10 groups of companies must have a mix of communication tools in three languages; (iii) a training and continuing education system for business internationalization must be implemented in the executing unit; and (iv) a business management team must be created and consolidated—not hired by any individual group—to achieve sustainability through economies of scale.

Component V: Dissemination of model and outcomes (MIF: US\$39,000; Counterpart: US\$29,000)

- 3.13 This component will disseminate the marketing model and its outcomes to other productive sectors in Colombia. It also calls for a project management oversight system to be implemented within the executing unit.
- 3.14 The following consulting services and materials will be procured: (i) design and preparation of the project dissemination materials; (ii) implementation of the project management oversight and monitoring system; (iii) regional program dissemination workshops across the country; and (iv) a national event at the end of the program to disseminate outcomes and lessons learned and to present projections of the replicability plan for 1,000 additional producers.
- 3.15 As an outcome of this component: (i) the project executing unit will have a management oversight system from the start to assist in project monitoring; (ii) dissemination materials in both print and multimedia formats will be designed and produced; and (iii) other entities supporting the MSME sector will become familiar with the model tested under the project, and are expected to be willing to introduce it in other production sectors.

IV. COST AND FINANCING

- 4.1 The total budget for the project is US\$2.86 million. Of that amount, US\$1.43 million (50%) will be provided by the MIF, and US\$1.43 million (50%) will come from the counterpart contribution to be provided by the United Nations, acting through UNODC, and local support institutions. Fifty percent of the counterpart contribution will be in cash. The Bank will establish a revolving fund in the amount of 10% of the MIF contribution.

Description	MIF contrib.	Counterpart			Total	%
		In cash	In kind	Total		
Component I Strengthening of producer groups	294,000	100,000	58,000	158,000	452,000	15.6%
Component II Technical assistance to match supply to demand	478,000	174,000	264,000	438,000	916,000	31.6%
Component III Bogota logistics and trade platform	165,000	189,200	243,000	432,200	597,200	20.6%
Component IV International marketing unit	255,000	200,000	-	200,000	455,000	15.7%
Component V Dissemination of model and outcomes	39,000	16,000	13,000	29,000	68,000	2.3%
Component VI Executing unit	108,000	36,000	136,800	172,800	280,800	9.7%
Audit	20,000	-	-	-	20,000	0.7%
Midterm and final evaluations	20,000	-	-	-	20,000	0.7%
Impact assessment	7,150	-	-	-	7,150	0.3%
Contingencies	43,850	-	-	-	43,850	1.5%
TOTAL	1,430,000	715,200	714,800	1,430,000	2,860,000	100.0%
	50.0%	25%	25%			

- 4.2 **Project sustainability.** Project sustainability will be achieved at two levels: (i) first, Fundación Productos de Paz and its member producers will recover costs through domestic and international sales through a 3% ad valorem charge on all domestic sales invoices and on the free-on-board export value; and (ii) the model will encourage local and regional entities to provide funds to get a larger number of producers to join as a preventive measure in at-risk areas.

V. EXECUTING AGENCY AND EXECUTION MECHANISM

- 5.1 **Executing agency.** The project executing agency will be the United Nations, acting through the Secretary-General's United Nations Office on Drugs and Crime (UNODC), which operates in Colombia under a July 1974 agreement signed in Bogota between the government and the United Nations Development Programme (UNDP), under which it was to "coordinate all United Nations drug control activities, promote adherence to international treaties, and provide effective leadership in such regard."
- 5.2 The United Nations, acting through UNODC, has substantial experience in the execution of alternative development projects, which seek to substitute illicit crops. Most of the producer groups participating as members of Fundación Productos de Paz, as well as those to be considered as future candidates, have been involved in UNODC programs or received UNODC support.
- 5.3 Fundación Productos de Paz is the nonprofit entity to be strengthened by the project. It is the product of coordination and synergy among 38 rural organizations

- in Colombia that participate in the alternative development model with support from the Colombian government, the private sector, and international cooperation. It was founded in 2006 as a result of the “Products of Peace” campaign led by the Office of the Vice President of Colombia, the Presidential Office for Social Action, and the UNODC.
- 5.4 The United Nations is being proposed as project executing agency because Fundación Productos de Paz was founded only recently, and therefore still lacks well-established administrative, financial, internal control and audit procedures. It will also strengthen administrative capacity at Fundación Productos de Paz and the rural organizations participating in the project, such that after three years Fundación Productos de Paz will be able to administer future activities. UNODC possesses the internally generated funds and local contributions necessary to meet the counterpart requirement.
- 5.5 **Execution mechanism.** The United Nations, acting through UNODC, will provide the physical structure for the operation and strengthening of Fundación Productos de Paz. The project will be managed by an executing unit at the UNODC office in Colombia, consisting of a project director, 10 group facilitators, four market researchers, two international marketers, an administrative/financial assistant, and a secretary. The members of the executing unit will be selected in accordance with the Bank’s criteria. The executing unit will be supported by production specialists from support entities and government programs (Acción Social, Familias Guardabosques, departmental governments and municipios) corresponding to the product categories included in the project and their location. Detailed job descriptions and functions of the executing unit members and production specialists are included in the annex to the Operating Regulations. In addition, the Bogota logistics and trade platform will have a manager, two sales representatives, two restockers, and three workers. These human resources will work at the premises to be obtained for such purpose by the executing agency.
- 5.6 The executing unit will be responsible for: (i) preparation and execution of the semiannual work plans based on the group action plans; (ii) coordination of project activities, including development of a management oversight system to support the model to be implemented under the project; (iii) procurement and supervision of goods and services; (iv) processing of disbursement requests; (v) delivery of financial statements and management reports to the project’s Advisory Committee for forwarding to the Bank; (vi) monitoring of the performance indicators set in the logical framework; and (vii) preparation of semiannual management reports.
- 5.7 The executing agency will establish an Advisory Committee, which will serve as an instrument of interagency coordination and will help monitor the performance indicators set in the logical framework. It will have at least six members: the project director for Fundación Productos de Paz and the UNODC, who will chair the committee; two representatives of the support institutions and three representatives of the producer groups to be selected by the executing agency.

- 5.8 **Procurement.** The executing agency will conduct all procurements in accordance with Bank policies (documents GN-2349-7 and GN-2350-7). The executing agency may use the shopping method to procure goods and related services in amounts under US\$30,000, pursuant to paragraph 3.5 of document GN-2349-7.

VI. MONITORING AND EVALUATION

- 6.1 **Monitoring.** The executing agency will prepare and deliver project progress reports to the Bank's Country Office in Colombia within 30 days after the end of each semiannual period, and a final report within 30 days after the last disbursement. These reports will follow the format previously agreed upon with the Country Office, and will cover project activities and finances, as well as outcomes measured in accordance with the indicators and parameters set in the logical framework. The Country Office will use these reports to track progress and to prepare a project completion report within three months after the last disbursement. A **closing workshop** will be scheduled at the end of project execution to evaluate outcomes and actions needed to increase the project's impact.
- 6.2 **Evaluations.** The Bank will use funds from the contribution to contract outside consultants directly for a midterm evaluation and a final evaluation of the project. The midterm evaluation will be done 18 months after project start, or once 50% of the MIF contribution has been disbursed. This evaluation will cover at least the following: (i) status of the indicators set in the logical framework; (ii) progress in execution for each group supported by the program; (iii) institutional capacity of the executing agency and other institutions involved in the program; (iv) counterpart compliance with the *pari passu* requirement of the Operating Regulations; and (v) producer compliance with environmental and occupational safety standards. This report will indicate any corrective measures necessary to ensure proper execution of the project.
- 6.3 The final evaluation of the project will be done once 95% of the MIF resources have been disbursed, and will assess: (i) the extent to which the program's objectives and purposes have been fulfilled, especially the success of the trade platform and the operation of the market intelligence unit; (ii) producer satisfaction as measured by a survey; and (iii) the strengthening of Fundación Productos de Paz by UNODC and its sustainability, and the actions promoted by the program once the MIF contribution has been fully disbursed, including compliance with environmental and occupational safety standards.

VII. BENEFITS AND RISKS

- 7.1 **Beneficiaries.** The direct beneficiaries will be approximately 3,000 producers in at-risk areas who are interested in working cooperatively and already belong to the member associations of Fundación Productos de Paz. Other project beneficiaries will be the specialists from the support institutions, as well as providers of goods and services in the sectors mentioned above and the public- and private-sector

institutions supporting rural producers who will improve their capacity to interact with the local production system.

- 7.2 **Risks.** The project carries two main risks: (i) that the producer groups may not maintain interest, and sales and prospecting efforts may fail to yield demonstrable results; and (ii) that security conditions in Colombia may adversely affect the participation of farmers or the delivery of services under the project. To mitigate the *first risk*, the project will strengthen group formation activities, and the trade platform and market research unit will begin to work in parallel with the facilitators so that the project will have clear goals from the outset in terms of target markets that are attainable for all groups. To mitigate the *second risk*, work will continue just as the United Nations, acting through UNODC, has been doing, i.e. maintaining close ties to the community, building trust among producer groups, and staying abreast of changing information on security conditions in each area.

VIII. ENVIRONMENTAL AND SOCIAL IMPACT

- 8.1 The Committee on Environment and Social Impact (CESI) reviewed the project abstract at its meeting 02-07 of 19 January 2007 and recommended establishing a general strategy that includes criteria and training activities on environmental management. The alternative development strategy calls for implementation of acceptable environmental practices (paragraphs 2.3.i, 2.3.iii, and 2.3.iv).
- 8.2 The potential direct and indirect adverse impacts will be: (i) identified at the level of the action plans to be developed by each group (paragraph 3.3); (ii) considered as part of Component II on matching the supply of marketable products to demand, with training activities such as raising awareness of the importance of sustainable production (paragraphs 3.5.ii and 3.5.vii). Export activities will require compliance with environmental and occupational safety standards related to sustainable agriculture such as good agricultural practices (GAP), EurepGAP and others, depending on the destination market for the products. The criteria for selecting the producer groups include compliance with environmental and occupational safety standards applicable in Colombia for each product category (see paragraph 3.3 of the Operating Regulations). Finally, monitoring will be done through specific evaluations of adherence to these standards (paragraphs 6.2.v and 6.3.iii).

COLOMBIA

STRENGTHENING OF THE BUSINESS AND AGROINDUSTRIAL CAPACITY OF ALTERNATIVE DEVELOPMENT PRODUCER GROUPS

(CO-M1025)

LOGICAL FRAMEWORK

Objectives	Indicators	Means of verification	Assumptions
GOAL			
To help make groups of rural micro, and small and medium-sized producers in Colombia more competitive.	Three years after project end: Participating producers succeed in generating net income of at least US\$200 per month for activities that are their main source of revenue, or US\$100 per month for supplementary activities.	1. Employment and production statistics, agricultural and rural micro, and small and medium-sized enterprises (MSMEs) in Colombia 2. Ex post evaluation reports by the executing unit	1. Political and macroeconomic conditions do not worsen substantially.
PURPOSE			
To implement a sustainable marketing model for 10 groups of agroindustrial producers of alternative development products.	The participating groups report, on average, the following outcomes with respect to their baselines: 1. Producers groups invoice in the aggregate at least US\$20 million by project year 3: US\$10 million from sales on the domestic market, and US\$10 million from sales on the export market. (Year 1: US\$4 million; year 2: US\$10 million; year 3: US\$20 million.) 2. Starting with the first business transaction generated by the model, a 3% contribution over the invoice amount.	1. Semiannual project reports by the executing agency 2. Midterm and final evaluation reports 3. Baseline data on each group of MSMEs 4. Reports on the project's management oversight and monitoring system 5. Project performance monitoring report (PPMR)	1. The groups of MSMEs interested in exporting and marketing cooperatively in the domestic market are consolidated. 2. The MSMEs overcome trade barriers to position their products. 3. Technical support continues to be provided by advisers from the relevant government agencies for each product category, to ensure consistent quality in export products. 4. No weather events or political conflicts adversely affect farm output in the target areas.

Objectives	Indicators	Means of verification	Assumptions
COMPONENTS			
I. Strengthening of groups of agroindustrial producers with trade potential	<p>Six months after the first disbursement:</p> <p>1.1 Training provided for at least 10 facilitators and 80 sector specialists from support entities and executing unit members for productive integration aimed at marketing.</p> <p>After 12 months:</p> <p>1.2 At least 10 groups of rural MSMEs have operating regulations and a group action plan.</p> <p>After 36 months:</p> <p>1.3 Ten producer groups continue operating in a cooperative and sustainable manner; 300 producers per group on average implement joint strategies for marketing and product enhancement.</p>	<p>1. Semiannual management reports</p> <p>2. Action plans for groups of participating MSMEs</p> <p>3. Evaluation reports</p> <p>4. Participation agreements signed by the enterprises belonging to each group</p> <p>5. PPMR</p> <p>6. Midterm and final evaluations</p>	<p>1. MSME commitments to participate in the groups are confirmed.</p> <p>2. Qualified personnel are available to prepare baselines.</p> <p>3. Levels of cooperation and trust are sufficient for producer groups to successfully implement joint strategies.</p>
II. Technical assistance to match supply to demand	<p>Six months after the first disbursement:</p> <p>2.1 At least 10 groups of rural MSMEs with a total of 3,000 have operating regulations and a group action plan.</p> <p>After 12 months:</p> <p>2.2 Each group has a plan to bring supply into line with demand and has manuals of good agricultural practices and good manufacturing practices.</p> <p>After 24 months:</p> <p>2.3 Ten groups of MSMEs have a supply of tradable goods for both domestic and export markets.</p> <p>After 36 months:</p> <p>2.4 Ten producer groups have raised their productivity by 20%.</p>	<p>1. Work plans of networks of enterprises</p> <p>2. Semiannual management reports</p> <p>3. Reports from the project management oversight and monitoring system</p> <p>4. PPMR</p> <p>5. Midterm and final evaluations</p>	<p>1. The enterprises are willing and able to pay.</p> <p>2. Fundación Productos de Paz monitors the quality of technical assistance services.</p> <p>3. The enterprises are willing to participate in the training and technical assistance events.</p> <p>4. Local or national entities are available to provide specialists or resources to assist the MSME groups participating in the project.</p>

Objectives	Indicators	Means of verification	Assumptions
	2.5 In years 1, 2, and 3, at least 30%, 60%, and 90%, respectively, of the enterprises are in compliance with environmental and occupational safety standards applicable in Colombia, and good agricultural and manufacturing practices for each product.		
III. Bogotá logistics and trade platform	<p>Ten months after the first disbursement:</p> <p>3.1 The Bogotá logistics and trade platform has been created (with relevant infrastructure and personnel), and at least 5 distribution channels have been established, including Carrefour, Éxito, and CAFAM.</p> <p>3.2 The communication plan has been developed for positioning the “Products of Peace” brand.</p> <p>After 36 months:</p> <p>3.3 The Bogotá logistics and trade platform invoices at least US\$10 million from sales on the domestic market. (Year 1: US\$3 million; year 2: US\$6 million; year 3: US\$10 million.)</p> <p>3.4 At least 10% of local consumers surveyed recognize the “Products of Peace” brand; and at least 80% of consumers of “Products of Peace” rate them as good or very good.</p>	<ol style="list-style-type: none"> 1. Marketing plans for the domestic market 2. Semiannual management reports 3. Evaluation reports 4. Communication plan 5. Reports from the project management oversight and monitoring system 6. PPMR 7. Midterm and final evaluations 	<ol style="list-style-type: none"> 1. Fundación Productos de Paz and the UNODC obtain premises for the logistics and trade platform. 2. The supermarket chains continue to support the system. 3. Buyers support the “Products of Peace” brand, and it gains a foothold in the local market.
IV. International marketing unit	<p>Six months after the first disbursement:</p> <p>4.1 The international marketing unit has been set up, with at least 2 market researchers and an international marketing specialist (2 additional market researchers and 1 additional international marketing specialist are added after 1 year).</p>	<ol style="list-style-type: none"> 1. Semiannual management reports 2. Export plans 3. Reports from the project management oversight and monitoring system 4. Producer satisfaction survey 5. PPMR 	<ol style="list-style-type: none"> 1. The products’ price level is maintained. 2. Individual enterprises maintain their commitments to the group. 3. The enterprises are willing to pay for the services they receive, in accordance with the payment schedule established by the project.

Objectives	Indicators	Means of verification	Assumptions
	<p>After 12 months:</p> <p>4.2 One annual export plan per group with 3 high-priority markets and 3 medium-term markets (18 markets studied for each group). Each group has a mixture of marketing tools in at least 3 languages.</p> <p>After 36 months:</p> <p>4.3 The international marketing unit invoices at least US\$10 million from sales on the export market. (Year 1: US\$1 million; year 2: US\$4 million; year 3: US\$10 million.)</p>		<p>4. Products of Peace gain a market foothold and meet international market requirements for volume, quality, and price.</p>
V. Dissemination of model and outcomes	<p>Twelve months after the first disbursement:</p> <p>5.1 A project website for the enterprises is created and regularly updated, and its continuity is ensured by Fundación Productos de Paz after the MIF's support ends.</p> <p>By the end of years 2 and 3:</p> <p>5.2 Four dissemination events have been held, one for each of the project's four regions to reach participating public and private sector entities.</p> <p>36 months after the first disbursement:</p> <p>5.3 At least one national event is held at the end of the project to disseminate outcomes, attended by public and private sector entities.</p> <p>5.4 At least 5 regional entities show interest in replicating aspects of the program in their assistance operations.</p>	<p>1. Statistical record of website hits</p> <p>2. Semiannual management reports</p> <p>3. Seminar programs and attendance records</p> <p>4. Agreement to launch no project in a region or sector not previously covered in this project</p>	<p>1. There is enough interest and capacity in other states or sectors to replicate the production integration model.</p> <p>2. Project information and evaluations are available.</p>
ACTIVITIES			
Component I: Strengthening of groups of agroindustrial producers with trade potential.	<p>Total: US\$452,000</p> <p>MIF: US\$294,000</p> <p>Counterpart: US\$158,000</p>		

Objectives	Indicators	Means of verification	Assumptions
<p>1.1 Formation of project team consisting of at least 10 facilitators trained in coordination and monitoring of groups of enterprises.</p> <p>1.2 Training in production integration of 10 facilitators and 80 agents of change in all 4 regions (4 workshops).</p> <p>1.3 Baseline studies for at least 10 groups with business potential.</p> <p>1.4 Weekly meetings of facilitators with their groups (transportation).</p> <p>1.5 180 training workshops in production integration per year for groups with 50 producers (60 annual workshops: 3,000 producers in groups of 50). Submittal of each group's annual plan and semiannual review.</p>	<p>1.1 Project team formed no later than month 3.</p> <p>1.2 Support team, support institutions, and opinion-forming leaders trained in production integration models before month 6.</p> <p>1.3 Baseline for 10 producers groups set by month 6.</p> <p>1.4 180 dissemination workshops and training workshops in production integration for at least 10 groups of enterprises held in the first 3 three years (60 workshops per group).</p> <p>1.5 An evaluation report on actions completed and preliminary outcomes in the 10 groups of rural MSMEs is prepared by month 18.</p>	<p>1. Project work plan</p> <p>2. Group action plans</p> <p>3. Semiannual management plans</p> <p>4. Baseline reports</p> <p>5. Tactical and strategic action plans for each group</p> <p>6. Training workshop evaluations</p> <p>7. Inspection visits</p>	<p>1. Local experts trained in working as coordinators of rural MSMEs are available.</p> <p>2. Rural MSMEs are interested in establishing group cooperation agreements for joint export and domestic marketing efforts.</p>
<p>Component II: Technical assistance to match supply to demand.</p> <p>2.1 Technical assistance in quality, food safety, HACCP, EurepGAP, ISO, responsible production. (With technological package.)</p> <p>2.2 Development of good agricultural practices and good transformation practices.</p> <p>2.3 Technical and production assistance for 10 groups of enterprises: 3,000 technical workshops, one technical workshop on the premises of each farmer.</p> <p>2.4 Analysis of subproducts, quality and other testing, validations, and certifications.</p> <p>2.5 Technical assistance for transformation.</p>	<p>Total: US\$916,000 MIF: US\$478,000 Counterpart: US\$438,000</p> <p>2.1 10 consulting contracts, one per group starting in month 6.</p> <p>2.2 Good practices manuals by month 18.</p> <p>2.3 Technical assistance averaging 300 technical workshops per group in 3 years: 100 per year.</p> <p>2.4 After 12 months each group has a quality plan.</p> <p>2.5 3 training workshops held per group per year on compliance with environmental and occupational safety standards (to supplements training on other items). At least 5 groups receive specialized collective assistance to make improvements in environmental or occupational safety matters in year 2.</p> <p>2.6 1 action plan per group by month 8.</p>	<p>1. Semiannual management plans</p> <p>2. Reports from technical advisers</p> <p>3. Satisfaction surveys of enterprises using technical advisory services</p> <p>4. Training workshop evaluations</p> <p>5. Inspection visits</p> <p>6. Sample monitoring reports of groups of exporters</p>	<p>1. Colombian producers can satisfy conditions for entering foreign markets in terms of quality, volume, and price.</p>

Objectives	Indicators	Means of verification	Assumptions
<p>2.6 9 workshops for training and assistance in environmental and occupational safety standards.</p> <p>2.7 Supply adjustment plans for each of the 10 groups: US\$20,000 per group. Includes packaging, boxing, certifications, added value, etc. (for product differentiation and identification).</p> <p>2.8 Inputs for production (counterpart's value-contribution ratio).</p>			
<p>Component III: Bogotá logistics and trade platform.</p> <p>3.1 Consulting services for manual on good storage practices.</p> <p>3.2 Leasing of facilities.</p> <p>3.3 Adaptation of infrastructure.</p> <p>3.4 Provision of office equipment.</p> <p>3.5 Personnel: marketing and infrastructure manager, 2 sales representatives, 2 restockers, and 3 operators (warehouse assistants).</p> <p>3.6 Communication plan and communications tools (domestic market).</p> <p>3.7 Operating expenses.</p> <p>3.8 Recognition and satisfaction surveys of "Products of Peace" brand.</p>	<p>Total: US\$597,200 MIF: US\$165,000 Counterpart: US\$432,200</p> <p>3.1 UNODC technical work.</p> <p>3.2 36-month lease of facility by month 2.</p> <p>3.3 Adjustment and implementation plan (includes machinery and equipment, vehicle) by month 6.</p> <p>3.4 Office provided with equipment by month 6.</p> <p>3.5 For stocking points of sale: marketing manager receiving base merit pay of US\$500 and maximum merit pay of US\$2,000. Develops annual marketing plan for the domestic market by month 6.</p> <p>3.6 Communication plan established before month 12. Television and radio time provided by local contribution.</p> <p>3.7 Business office expenses covered by local contribution.</p> <p>3.8 Surveys conducted in years 2 and 3.</p>	<p>1. Annual marketing plans</p> <p>2. Communication plan</p> <p>3. Semiannual management plans</p> <p>4. Surveys</p>	<p>1. Fundación Productos de Paz secures facility.</p> <p>2. Radio and television time secured, opinion-forming celebrities will lend their image to the project.</p>

Objectives	Indicators	Means of verification	Assumptions
Component IV: International marketing unit 4.1 Group of 4 market researchers. 4.2 International marketing team (1 junior and 1 senior member). 4.3 Implementation of communications tools to promote the 20 groups. Each group develops business cards, institutional and product catalogs, samples, demo videos or online catalogs, and market-specific price lists (EXW, FOB, C&F, CIF, DDP). 4.4 International promotion activities: prospecting and business trip per group per year, trade missions, trade shows, partnerships with agents in target markets: 15 days every 2 months. 4.5 Equipment. 4.6 Database subscriptions.	Total: US\$455,000 MIF: US\$255,000 Counterpart: US\$200,000 4.1 Researchers hired no later than month 3 (international marketer no later than month 6). 4.2 1 export plan per year per group with 3 high-priority markets and 3 medium-term markets per group. 18 markets studied for each group. 4.3 Minimum/maximum senior salary: US\$2,000–US\$4,500, 0.25% commission. Minimum/maximum junior salary: US\$1,000–US\$2,000, 0.25% commission. 4.4 Set of communications tools for the international market by the end of year 1. 4.5 5 business promotion activities during 4 months per year starting in year 2. Field activities in target countries by executing unit personnel. 4.6 Equipment for 6 people in month 6. 4.7 Access to sources of information on markets and production, based on criteria set forth in operating regulations as of month 6.	1. Semiannual management plans 2. Reports from specialized advisory services. 3. Survey results 4. Inspection visits	1. Specialists at enterprises are identified and agreements are reached between the executing unit and the MSMEs. 2. Local technical consultants specialized in innovation and skills for each sector are available.
Component V: Dissemination of model and outcomes 5.1 Development and implementation of project dissemination plan. Design and production of dissemination material in print and multimedia formats. 5.2 Management information system. 5.3 Implementation of the management oversight and project monitoring system by adapting the MIF system.	Total: US\$68,000 MIF: US\$39,000 Counterpart: US\$29,000 5.1 Informational brochures and folders and a video on the project for dissemination at the beginning and end of the project. 5.2 Management oversight and management information system adapted and implemented before month 6. 5.3 30 regional seminars during year 2 of the project, and one national seminar at the end of year 2.	1. Semiannual management plans 2. Case studies 3. Regular reports from the project management oversight and monitoring system 4. Dissemination material 5. Record of participants in regional and national seminars	1. The project can be replicated for other categories/sectors of production, for dissemination and reception of the model tested on the project.

Objectives	Indicators	Means of verification	Assumptions
5.4 One seminar per year and 30 in each region. 5.5 A final event. 5.6 A closing workshop. 5.7 Preparation of plan to extend model to at least 5 additional groups. Includes model systematization. Responsibility of project director. 5.8 Design and maintenance of project website. 5.9 Participation of project coordinator in MIF events.	5.4 1 international closing seminar at the end of the project. 5.5 1 closing workshop 5.6 In the second half of the third year, a replicability plan for 5 additional producer groups. 5.7 Website fully functional in the fourth quarter of year 1.	6. Evaluation documents 7. MSME survey on usefulness of website	

**STRENGTHENING OF THE BUSINESS AND AGROINDUSTRIAL CAPACITY OF
ALTERNATIVE DEVELOPMENT PRODUCER GROUPS
(CO-M1025)**

ITEMIZED BUDGET

Description		Amount	Unit	Unit cost	MIF contribution	Counterpart			TOTAL	%
						In cash	In kind	Total		
Comp. I	Strengthening of 10 groups of agroindustrial producers with trade potential									
	Facilitators	10	Consulting contracts	27,000	170,000	100,000	0	100,000	270,000	9.4%
	Training of facilitators	4	Training events	5,000	16,000	0	4,000	4,000	20,000	0.7%
	Per diems for travel	360	Months per consulting contract	200	36,000	0	36,000	36,000	72,000	2.5%
	Training (production integration workshops)	180	Workshop	500	72,000	0	18,000	18,000	90,000	3.1%
					294,000	100,000	58,000	158,000	452,000	15.8%
					65%	63%	37%	35%		
Comp. II	Technical assistance to match supply to demand									
	Technical assistance for quality, food safety, HACCP, EurepGAP, ISO, and responsible production, including a good agricultural practices manual	10	Consulting contracts	10,000	100,000	0	0	0	100,000	3.5%
	Good manufacturing practices manual	10	Consulting contracts	5,000	0	0	50,000	50,000	50,000	1.7%
	Technical assistance for production	3,000	Technical workshops	70	60,000	75,000	75,000	150,000	210,000	7.3%
	Analysis of subproducts, quality and other testing, validations, certifications, and others	10	Plans	5,000	50,000	0	0	0	50,000	1.7%
	Technical assistance for transformation (includes displacements)	240	Technical workshops	400	48,000	24,000	24,000	48,000	96,000	3.4%
	Supply adjustment plans	10	Plans	20,000	175,000	25,000	0	25,000	200,000	7.0%
	Training workshops in occupational safety and environmental practices	90	Workshop	1,000	45,000	0	45,000	45,000	90,000	3.1%
	Supply of inputs for production	10	Supply plans	12,000	0	50,000	70,000	120,000	120,000	4.2%
					478,000	174,000	264,000	438,000	916,000	32.0%

Description		Amount	Unit	Unit cost	MIF contribution	Counterpart			TOTAL	%	
						In cash	In kind	Total			
					52%	40%	60%	48%			
Comp. III	Bogotá logistics and trade platform										
	Facility	36	Months	3,000	0	0	108,000	108,000	108,000	3.8%	
	Adaptation of infrastructure, machinery, and equipment	1	Adjustment plan	100,000	0	20,000	80,000	100,000	100,000	3.5%	
	Office equipment	1	Set of equipment	5,000	5,000	0	0	0	5,000	0.2%	
	Personnel										
	Marketing and logistics manager (base salary of US\$500, maximum salary of US\$2,000)	36	Months	2,000	54,000	18,000	0	18,000	72,000	2.5%	
	Sales representatives	72	Months	500	18,000	18,000	0	18,000	36,000	1.3%	
	Restockers	72	Months	500	18,000	18,000	0	18,000	36,000	1.3%	
	Operators	108	Months	400	0	43,200	0	43,200	43,200	1.5%	
	Operating expenses	36	Months	2,000	0	72,000	0	72,000	72,000	2.5%	
	Communications tools (domestic market). Communications plan with actions specified.	1	Campaign	100,000	50,000	0	50,000	50,000	100,000	3.5%	
	Good storage practices manual	1	Consulting contracts	5,000	0	0	5,000	5,000	5,000	0.2%	
	Survey on recognition of “Products of Peace” brand and consumer satisfaction	2	Surveys	10,000	20,000	0	0	0	20,000	0.7%	
						165,000	189,200	243,000	432,200	597,200	20.9%
						28%	44%	56%	72%		
Comp. IV	International marketing unit										
	Market research team	144	Months	500	60,000	12,000	0	12,000	72,000	2.5%	
	International marketing team	36	Months	3,000	90,000	18,000	0	18,000	108,000	3.8%	
	Communications tool (international market)	10	Sets	6,000	40,000	20,000	0	20,000	60,000	2.1%	
	International promotion activities	10	Planes	20,000	50,000	150,000	0	150,000	200,000	7.0%	
	Equipment	1	Set of equipment	10,000	10,000	0	0	0	10,000	0.3%	
	Subscriptions (establish criteria)	1	Miscellaneous	5,000	5,000	0	0	0	5,000	0.2%	
						255,000	200,000	0	200,000	455,000	15.9%
					56%	100%	0%	44%			

Description		Amount	Unit	Unit cost	MIF contribution	Counterpart			TOTAL	%
						In cash	In kind	Total		
Comp. V	Dissemination of model and outcomes									
	Development and implementation of dissemination plan									
	Design of dissemination material	1	Set	10,000	5,000	5,000	0	5,000	10,000	0.3%
	Website	1	Design and maintenance		5,000	5,000	0	5,000	10,000	0.3%
	Management information system	1	Set of software	15,000	15,000	0	0	0	15,000	0.5%
	Regional seminars	30	Seminars	500	8,000	0	7,000	7,000	15,000	0.5%
	Outcome dissemination seminars	1	Event	10,000	0	5,000	5,000	10,000	10,000	0.3%
	Closing workshop	1	Event	2,000	1,000	0	1,000	1,000	2,000	0.1%
	Participation of executive coordinator in MIF events	3	Travel and per diem packages	2,000	5,000	1,000	0	1,000	6,000	0.2%
						39,000	16,000	13,000	29,000	68,000
					57%	55%	45%	43%		
Comp. VI	Executing unit									
	Project executive coordinator	36	Months	3,000	108,000	0	0	0	108,000	3.8%
	Travel expenses	36	Months	1,000	0	36,000	0	36,000	36,000	1.3%
	Administrative expenses	36	Months	500	0	0	18,000	18,000	18,000	0.6%
	Financial/accounting assistant	36	Months	800	0	0	28,800	28,800	28,800	1.0%
	Secretary	36	Months	500	0	0	18,000	18,000	18,000	0.6%
	Rent and supplies	36	Months	2,000	0	0	72,000	72,000	72,000	2.5%
						108,000	36,000	136,800	172,800	280,800
					38%	21%	79%	62%		
Comp. VII	Evaluation and audit									
	Audit	1	Audit	20,000	20,000	0	0	0	20,000	0.7%
	Midterm and final evaluation	2	Evaluations	10,000	20,000	0	0	0	20,000	0.7%
	Impact assessment	1			7,150	0	0	0	7,150	0.3%
						47,150	0	0	0	47,150
					100%	0%	0%	0%		
Contingencies					43,850	0	0	0	51,000	1.5%
					100%	0%	0%	0%		
TOTAL					1,430,000	715,200	714,800	1,430,000	2,860,000	100%

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK
MULTILATERAL INVESTMENT FUND

PROPOSED RESOLUTION MIF/DE-___/07

Colombia. Nonreimbursable Technical Cooperation ATN/____-CO for the
Strengthening of the Business and Agroindustrial Capacity of
Alternative Development Producer Groups

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 United Nations, 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 a technical cooperation for the strengthening of the business and agroindustrial capacity of alternative development producer groups in Colombia.

2. That up to the amount of US\$1,430,000, or its equivalent in other convertible currencies, shall be authorized for the purpose of this resolution, chargeable to the resources of the Multilateral Investment Fund.

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

LEGIII/CO-955383-07
CO-M1025