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MULTILATERAL INVESTMENT FUND

BRAZIL

PROGRAM FOR TECHNOLOGY SERVICES AND IDENTIFICATION OF NEW MARKET TRENDS

(BR-M1033)

DONORS MEMORANDUM

This document was prepared by the project team consisting of: Claudio Cortellese (MIF/OPS), Project Team Leader; Sergio Moreira (COF/CBR); Ismael Gilio (COF/CBR); Natalia Laguyás (MIF/OPS); Valnora Leister (LEG/OPR1); and Antonio Gaspar (MIF/DEU).

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ABBREVIATIONS

ADE	Agência de Desenvolvimento Econômico do Grande ABC [Economic Development Agency for the Greater ABC Region]
APL	Local industry cluster
CCDM	Centro de Caracterización y Desarrollo de Materiales [Center for Materials Analysis and Development]
GEMM	Grupo de Ingeniería de Micro estructura de Materiales de la Universidad de São Carlos [University of São Carlos Materials Microstructure Engineering Group]
MECCANO	Centro per l'Innovazione Tecnologica delle Imprese del Settore Meccanico [Technological Innovation Center for Engineering Sector Businesses]
MIF	Multilateral Investment Fund
CNAE	Clasificación Nacional de Actividades Económicas [National Classification of Economic Activities]
R&D	Research and Development
SEBRAE-NA	Serviço Brasileiro de Apoio às Micro e Pequenas Empresas [Brazilian Microenterprise and Small Business Support Service]
SEBRAE-SP	Serviço Brasileiro de Apoio às Micro e Pequenas Empresas de São Paulo [Brazilian Microenterprise and Small Business Support Service of São Paulo]
SMEs	Small and medium-sized enterprises

PROGRAM FOR TECHNOLOGY SERVICES AND IDENTIFICATION OF NEW MARKET TRENDS

(BR-M1033)

EXECUTIVE SUMMARY

Executing agency:	Agência de Desenvolvimento Econômico do Grande ABC [Economic Development Agency for the Greater ABC Region] (ADE)	
Beneficiaries:	Small and medium-sized businesses and microenterprises of the metalworking sector in the Greater ABC Region of the State of São Paulo, Brazil.	
Financing:	MIF IBD:	US$ 490,000
	SEBRAE:	US$1,100,000
	Private Sector:	US$ 170,000
	Total:	US$**1,760,000**
Execution timetable:	Execution period:	30 months
	Disbursement period:	36 months
Objectives:	The *general objective* is to strengthen public-private cooperation to create better conditions for productive development of small and medium-sized enterprises (SMEs) in the metalworking sector, especially access to technology services. The *specific objective* is to make technology services more widely available and used by metalworking SMEs in São Paulo's Greater ABC Region.	
Description:	The project has four components: (i) identification of the market for technological services; (ii) support for service centers and implementation of a business service center; (iii) promotion of technology services to SMEs; and (iv) a system for monitoring and evaluating results and synthesizing lessons learned for the purpose of dissemination.	
Environmental and social review:	The project was approved by the Committee on Environment and Social Impact (CESI) on 22 June 2006. CESI had considered the project at its 10 March 2006 meeting and provided comments that were incorporated into this document (see paragraph 2.8(a)).	

Special contractual clauses:	Conditions precedent to the first disbursement: (i) the signing and entry into force of the agreement among ADE, the Serviço Brasileiro de Apoio às Micro e Pequenas Empresas [Brazilian Microenterprise and Small Business Support Service] (SEBRAE-NA), and SEBRAE's local office in São Paulo (SEBRAE-SP); (ii) selection of the program coordinator in accordance with the terms of reference previously agreed upon with the Bank; and (iii) approval of the program Operating Regulations (OR).
Exceptions to Bank policy:	None.

I. FRAME OF REFERENCE

A. Industrial specialization in São Paulo's ABC Region and the context for development of small and medium-sized enterprises (SMEs)

1.1 In the municípios of São Paulo's Greater ABC Region,[1] the engineering industry[2] accounted for 29.94% of production-related activity in September 2000, indicating a high degree of industrial specialization. The same municípios have localization indexes greater than 1 in nearly all engineering segments.[3] Also, based on government sales volume criteria, 73% of small and medium-sized industrial enterprises fell within the microenterprise range in 2000, while 19% were small businesses, and only 8%, large companies.[4]

1.2 An experiment in local industry clusters (known by their Portuguese-language acronym, APL) is also being conducted in the Greater ABC Region through the Agência de Desenvolvimento Econômico do Grande ABC [Economic Development Agency for the Greater ABC Region] (ADE). As self-organized clusters of businesses within a defined geographic area, APLs are an important point of reference for supporting the technological development of SMEs in the auto parts, tools and plastics sectors in the municípios of the Greater ABC Region.

1.3 The specialization of the ABC Region in São Paulo is due in part to the presence of major national and foreign industrial groups in the automotive, aeronautics and electronics industries, such as Ford, General Motors (GM) and Volkswagen. Their presence influences the development strategies of SMEs: first, in terms of the development of supply chains, and second, in terms of technological capability requirements along the supply chain.

1.4 Supply chains develop in tiers. Generally, the largest company has a relationship with its first-tier suppliers, which in turn have relationships with the second tier,

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[1] These municípios are: Santo André, São Bernardo do Campo, São Caetano do Sul, Diadema, Mauá, Ribeirão Pires, and Rio Grande da Serra.

[2] Nine two-digit segments defined by the National Classification of Economic Activities (CNAE), 26 and 28-35. Cadastro de Estabelecimentos Empregadores [Registry of employer establishments] (CEE), September 2000, Ministry of Labor (MTE).

[3] The Localization Index (LI) is an indicator of relative specialization calculated by dividing the activity's relative share for the município (the number of establishments representing that activity divided by total number of industrial establishments in the município) by the activity's relative share for São Paulo (the number of establishments representing that activity in São Paulo divided by the total number of industrial establishments in São Paulo). A localization index greater than one indicates that the município specializes in that activity.

[4] Microenterprises are enterprises with sales of less than 150,000 Brazilian reais. Small enterprises are those with sales between 150,000 and 1.2 million reais. Source: *Onde estão as MPEs paulistas* [Where microenterprises and small businesses are located in São Paulo], Brazilian Microenterprise and Small Business Support Service in São Paulo (SEBRAE-SP), 2000.

and so on. (For example, five levels of suppliers are identified for General Motors.) Because ensuring product quality is the most important consideration for the end producer, high levels of quality and consistency must be ensured throughout the chain. Looking again at General Motors, it is one of the group's poorest performers in terms of production interruptions. There have also been many cases where defective automobiles needed repairs after they had already reached the market, adversely impacting the company's image. The main reason cited for these problems is the poor quality of components in intermediate products. To keep these failures from recurring, General Motors performs regular production audits of companies up to the third tier of suppliers at considerable cost.

1.5 The second aspect concerns the strategic relationship between supplier and client companies, termed "coengineering," which increases the value-added of the product/service offered by the SME through technological excellence. This means that supplier companies—particularly those on the first tier—must possess research and development (R&D) capacity. These requirements increase as the large company's installed R&D capacity increases. General Motors has placed its ABC headquarters in charge of managing the entire South American, African and Middle East market. The immediate effect of this decision was the recent creation of a large R&D center—approximately 1,000 engineers—that is producing the first automobile designed in Brazil. This capacity will have a significant impact on the environment by requiring R&D capacities from first-tier supplier companies and, insofar as possible, from other supplier tiers. In addition, the decision to design the end product locally means that the multinational companies, as indicated above, turn to foreign supplier companies due to lack of local expertise. In turn, these smaller foreign "guest" companies in Brazil require local, technologically competent SMEs with which to establish subcontracting relationships. If there are none to be found, the foreign company is highly unlikely to set up operations in Brazil.

B. Supply and demand for technology services

1.6 The major companies have the internal capacity for a broad range of technology services necessary for their production-related activities, and source R&D services from local technology institutions (universities, technical schools and research institutes). The multinational companies that have set up operations in the State of São Paulo in recent years deal mainly with their parent or other group companies, and only in certain cases do they also turn to suppliers, smaller-scale production partners.

1.7 The SMEs are aware that, in order to expand, gain market share and integrate themselves into the international value chains, they must innovate and continually develop their technological capacities. But they lack the economies of scale to justify creating internal capacity to meet their technology service needs. so they try to meet them through specific demand for technology services, mainly in

engineering, project design (CAD/CAM/CAE), new processes, quality certification for systems and products, laboratories, technical training in new technological processes, and internationalization.

1.8 Supply, in turn, is limited to the university-based technology centers, which generally focus on the needs of larger-scale companies: the CNAE category of "services provided primarily to businesses" in the State of São Paulo comprises a substantial number of businesses engaged in "legal activities, consulting services to businesses and information technology activities,"[5] but there is no private activity specifically related to technological assistance apart from fairly traditional services such as data processing, hardware/software support, or tax, legal and accounting services.

1.9 Notable among the technology centers providing services to businesses is the Serviço Nacional de Aprendizagem Industrial de São Paulo [National Industrial Training School of São Paulo] (SENAI-SP), a federal institute for technical education and training accredited by the National Institute of Weights and Measure. Its business services include applied research and technological information, laboratory testing and certification. However, its laboratories are used primarily for teaching. Other major centers and laboratories focusing on businesses in the ABC Region are:[6]

a. **The Mauá Institute of Technology (IMT)**, a teaching and scientific research institute with a center for the development of new applications and products.

b. **The Technological Research Institute (IPT)** of the University of São Paulo (USP). In addition to "traditional" laboratories, the IPT is conducting two new technical assistance projects for SMEs: a mobile laboratory equipped with materials and products testing equipment, known as the PRUMO mobile units project, and the PROGEX internationalization service to help SMEs overcome technical barriers.

c. **The Institute for Industrial Studies and Research (IPEI)** of the Inaciana Educational Foundation (FEI), which specializes in providing calibration, analysis and testing services in the fields of engineering and metallurgy.

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[5] *Onde estão as MPEs paulistas* [Where microenterprises and small businesses are located in São Paulo], SEBRAE-SP, 2000.

[6] Also noteworthy are: São Paulo State University at Araraquara (UNESP), which conducts R&D only in the fields of chemistry and physics; Materials Microstructure Engineering Group (GEMM) at the University of São Carlos, which deals exclusively with ceramics, refractory materials and aluminum; and the Advanced Manufacturing Hub (NUMA) on the São Carlos campus of the University of São Paulo, which focuses on computer-assisted production and assists businesses with flexible, automated fabrication systems.

d. **Soriani Ferramentaria & Metrologia**, a cluster business that provides research support to small and large companies on new production and management processes in metrology and other areas.

e. Located in the central region of São Paulo are: (i) the **Center for Materials Analysis and Development (CCDM)** at the University of São Carlos, which provides services relating to metals, polymers and ceramics and whose structure is geared more toward the market and business needs; it is self-financed through the sale of services (US$1.8 million annually with 85 employees); and (ii) **ParqTec**, the foundation that manages the São Carlos High Technology Hub, which provides services primarily to the ceramics sector and operates an FDM rapid prototyping laboratory for engineering and plastics sector applications.

C. Problems facing small businesses

1.10 The SMEs perceive a clear shortage of technology services in the ABC Region and São Paulo. While indeed there are structural shortfalls—lack of modern equipment in certain specific areas—this may be due to the difficulty of meeting the needs of smaller businesses effectively.

1.11 University departments prefer to concentrate on a few high-value contracts with large companies to ensure that high administrative costs are covered at minimum risk. This approach is understandable, in view of the fact often cited by all these universities: their central mission is to educate and train young men and women.

1.12 So the difficulty in serving SMEs is twofold:

a. the **costs** of technology services are very high, and there are no public incentives to stimulate demand for these specialized services;

b. the **response times** of the various entities are too long, and sometimes companies even receive no response.

1.13 Both problems stem from a service delivery structure designed to support major R&D projects, rather than a large number of small requests for specific services generally unrelated to R&D.

1.14 This shortfall of technology services limits the competitive development potential of SMEs and reduces their access to information on technology trends, hampering their ability to expand their key markets and position themselves in international value chains, which makes them more vulnerable to local economic cycles.

D. Proposed program: rationale

1.15 The project proposes a specific initiative to give SME's better access to the technology services they need, to be carried out in conjunction with both public and private institutions supporting SME development.

1.16 One one hand, the project would facilitate coordination of the area's existing technology supply system, particularly in the ABC Region of São Paulo, so some universities would see it as an opportunity. On the other hand, it will contribute to cost adjustment and the sustainability delivery of such services to an ever larger number of SMEs. The project will bolster business demand for technology services and make connections among SMEs, in keeping with the cluster model.

1.17 Another feature of the project is the coordination of public- and private-sector entities and sector business to execute it. Effective cooperation among those entities will better align the project with the needs of businesses, improve opportunities for sustainability and help cement the practice of public-private dialogue to accomplish specific initiatives.

1.18 This project was identified through dialogue between local stakeholders and the Centro per l'Innovazione Tecnologica delle Imprese del Settore Meccanico [Technological Innovation Center for Engineering Sector Businesses] (MECCANO)[7] under an agreement between the Governor of Italy's Marche region and the Office of the President of Brazil. Italy's experience in this area has been extremely positive, enabling one of the country's less industrialized areas to potition itself in international value chains become a European hub for the engineering sector.

1.19 The MIF's involvement will support the initial stages of this SME initiative, encouraging and strengthening public-private cooperation in project execution, promoting technical excellence in project design and structure, and ensuring that processes are consistent and transparent. Once the initiative is under way, expanding and extending it will be the task of local public- and private-sector stakeholders, so a relatively short execution period is being proposed, just enough to get the initiative on its feet and demonstrate its benefits for the São Paulo region's SMEs. The project is innovative for the MIF, building on lessons learned from operations under its "integration and supply chains" project cluster, that support for a local strong point can have a catalytic effect and better channel

[7] The MECCANO Center is a technological innovation center for small and medium-sized businesses of the engineering sector in the Marche region of Italy. It functions as a center for services to promote and coordinate industrial innovation.

businesses' competitiveness efforts. The project also complements the Bank-supported strategy of promoting APL clusters in Brazil.[8]

II. PROJECT DESCRIPTION

A. Objective

2.1 The *general objective* is to strengthen public-private cooperation to create better conditions for productive development of small and medium-sized enterprises (SMEs) in the metalworking sector, especially access to technology services. The *specific objective* is to make technology services more widely available and used by metalworking SMEs in São Paulo's Greater ABC Region.

B. Components and activities

2.2 In pursuit of these objectives, the project will organize a network of service providers and conduct activities to help them build capacity to serve smaller businesses. The creation of this network will be based on careful identification of demand, and the network will in turn provide the basis for determining the project's services and priorities. In this way, the project will perform the function of "technology translator" at several different levels: (i) between the large, specialized companies in the region and the SMEs, which may not always possess the capacity to meet the heightened technological and qualitative requirements; and (ii) between the research activities conducted at universities and other specialized centers and the needs of businesses. Lastly, this initiative will play an active role as observer of the international market, helping to shape the direction of technology services. This initiative may ultimately become institutionalized and achieve operational stability.

2.3 The project has four components: (i) identification of demand and capacity to supply technology services by organizational and quality assessment of those services; (ii) strengthening of providers, particularly their human resources, according to the business needs identified; (iii) creation and promotion of technology services, including training activities; and (iv) monitoring and dissemination of experience gained.

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[8] Program to strengthen business activity in the state of Bahia (BR-L1023, US$10 million), approved in June 2006 and operations to be approved in 2006; Cluster competitiveness support program for Minas Gerais (BR-L1021, US$10 million), Innovation production and dissemination program for cluster competitiveness in the state of Pernambuco (BR-L1020, US$10 million), Program for the strengthening of local productive systems in São Paulo (BR-L1016, US$10 million). For the state of São Paulo, in particular, the initiative proposed here will complement the Bank's work, inasmuch as the Bank program does not include the metalworking sector, and is consistent in its approach in that it targets a cluster: São Paulo's Greater ABC Region. This project also proposes very specific, targeted action to promote technology services for businesses in an effort to bolster entrepreneurial activity in the Greater ABC Region's metalworking sector.

Component 1: Identification of the market for technology services

2.4 This component will identify the features of the market for technology services to the metalworking sector in terms of business supply and demand, laying the foundation the project's dissemination activities. The project will finance the following activities: (i) identification of metalworking sector demand, i.e. a census of sector businesses and their productive and technological characteristics to identify their demand for technology services, deepening the analysis done during project preparation; (ii) identification of supply in terms of technological capacity and the level and quality of services provided, taking the needs of SMEs into account; (iii) initiatives to strengthen the relationship between the beneficiary business and the local information and technology services system; and (iv) definition of a project communication strategy and preparation of promotional and dissemination materials (including two events).

2.5 **Outcomes**. The expected outcomes of this component are: (i) to obtain information on demand for technology products and services from 2,000 metalworking sector businesses in São Paulo's Greater ABC Region; (ii) to assess the quality of the technology services provided by ten institutions and/or service businesses in the region; and (iii) to produce an effective communication strategy that will elicit interest from at least 100 businesses in the services being promoted and induce them to join the project in the first year.

Component 2: Support to service centers and implementation of a business service center

2.6 This component includes activities designed to strengthen and adjust the supply of technology services through training and technical assistance activities, based on the outcomes of the first component. The support will be directed to technology institutions in the ABC Region and certain others in central São Paulo state, such as CCDM and ParqTec, that are particularly involved in providing technology services to businesses. In addition, effective methodologies will be implemented to identify and meet demand by training both technical project personnel and personnel from the network of institutions. The MECCANO Center will provide support for this component as part of the financing from the government of Italy's Marche region. The project support will target three areas related to strengthening the supply of services:

a. **Adjustment of the technology services provided to SMEs by the network**; the component provides for the financing of training and technical assistance activities, in particular: (i) training of personnel to improve and standardize the quality of services and incorporate the methodologies for providing assistance to the beneficiary SMEs; and (ii) product design—new technology services—appropriate to the needs of businesses;

b. **Creation of a business service center and strengthening of the technology services network**; the project would implement an initiative to coordinate technology services, a service center that would act as an intermediary with the center's own technology supply and other centers within the network when requests for services are received from businesses. To this end, the following activities would be financed: (i) training of the professionals involved in the program; (ii) development of procedures and methodology for business services; (iii) site rental and operating expenses; (iv) preparation of a business plan for the business service center, including direct services and services from the geographic institutional network (price, contractual conditions, logistics, etc.); and (v) periodic events to provide training and exchange between the network institutions;

c. **Investment in basic equipment**; the project provides for investment in laboratory equipment considered necessary but either unavailable in the region or not easily accessed by businesses.

2.7 **Outcomes**. The expected outcomes of this component are: (i) to have 10 institutions involved in the geographic institutional network for the provision of technology products and services to the metalworking sectors; (ii) a service center established and operating in the Greater ABC Region to provide services to businesses; (iii) to have a business plan incorporating the products and services of both the service center and the institutional network; and (iv) 30 professionals from the project and the institutional network who have participated in the preparation/training modules.

Component 3: Promotion of technology services to SMEs

2.8 Through this component, the project will promote the use of technology services by the SMEs in the metalworking sector, providing technical assistance directly or through network institutions, as appropriate. All activities carried out will be based on actual demand. In the initial periods, certain aspects of the services will be comparable to a subsidy, defined based on the demand and the importance of the service for the businesses' competitiveness; however, the businesses will pay a significant proportion of the cost of the service received. These decisions will be made based on the business plan developed in Component 2. This component provides for financing of the following activities:

a. **Business services**; financing will be provided for the minimum technical team for the business service center and part of the cost of specialized technology services, both technical and laboratory assistance; the beneficiaries must be small businesses from the metalworking sector; comply with the MIF environmental exclusion list; comply with Brazilian environmental and labor regulations, either on their own or with the help of technical assistance; have

participated in the demand assessment; and agree to provide the necessary information required by the monitoring system.

b. **Market intelligence system**; the project provides for financing of the following activities: (i) design and implementation of a Market Intelligence System for the identification and dissemination of information on technological innovations; (ii) technical assistance and support for monitoring of technological information, considering industrial policy for the sector; (iii) technical assistance to businesses in regard to technology-related information.

c. **Dissemination of the supply of services and awareness raising for businesses**; the project provides ongoing financing for these activities.

2.9 **Outcomes**. The expected outcomes of this component are: (i) at least 400 businesses have been provided with technological information services; (ii) at least 250 businesses have received direct benefits from the products and services of technology diffusion; and (iii) the number of completed technology projects have increased, serving the interests of more than one business.

Component 4: System for monitoring and evaluating outcomes and synthesis of lessons learned for dissemination

2.10 The purpose of this component is to synthesize the experience and disseminate the outcomes of the program. To this end, the following activities and deliverables will be financed: (i) definition of a program information baseline; (ii) implementation of a system to monitor activities and outcomes; (iii) synthesis of the experience in order to subsequently incorporate it into publications such as SEBRAE's "*Histórias de Sucesso*" [Success stories]; and (iv) two regional seminars for dissemination and exchange of information and technology diffusion for the metalworking sector.

2.11 **Outcomes**. The expected outcomes of this component are: (i) implementation of the monitoring system; (ii) at least three publications; and (iii) participation by representatives of over 50 state and national institutions in dissemination events.

III. COST AND FINANCING

3.1 The expected cost of the program is US$1,760,000, of which the MIF will contribute 27%, or US$490,000. The counterpart resources will be contributed by the Private Sector through ADE, SEBRAE-NA, SEBRAE-SP and the Marche Region, according to the program budget (Annex II)

Summary Budget Table (in US$)

Expense Category	MIF	Local counterpart	Total	%
Component I: Identification of the market for technology services	-	308,000	308,000	17.5%
Component II: Support for service centers and implementation of a business service center ("Single point of contact")	148,000	496,000	644,000	36.6%
Component III: Promotion of technology services to SMEs	277,000	183,000	460,000	26.1%
Component IV: System for monitoring and evaluating outcomes and synthesis of lessons learned for dissemination	-	74,000	74,000	4.2%
Project management and administration	-	199,000	199,000	11.3%
Monitoring and evaluation	35,000	-	35,000	2.0%
Contingencies[9]	30,000	10,000	40,000	2.3%
TOTAL	**490,000**	**1,270,000**	**1,760,000**	**100%**

3.2 **Project sustainability.** The project calls for active participation by the region's public and private entities to carry out the planned activities and eventually institutionalize them by means of a specialized entity. In this regard, sustainability is provided by the project outcomes themselves and by the commitment of the public and private entities involved to continue conducting and expanding the project activities.

IV. EXECUTION MECHANISM

4.1 The **executing agency** will be Agência de Desenvolvimento Econômico do Grande ABC [Economic Development Agency for the Greater ABC Region] (ADE), a public-private entity established in 1998 by decision of the Regional Chamber of the Greater ABC Region, whose members include the Intermunicipal Consortium of the Greater ABC Region (the institution representing the region's seven municipal governments), commercial and business associations, university institutions and the Brazilian Microenterprise and Small Business Support Service (SEBRAE). ADE has worked on cluster development projects in the Greater ABC Region with such institutions as SEBREA-SP and SEBRAE-NA. It also has cooperation agreements with government agencies such as Brazil's National Economic and Social Development Bank (BNDES) and Ministry of Foreign Trade, and entities such as Financiadora de Estudos e Projetos (FINEP) and the technology research center Instituto de Pesquisas Tecnológicas (IPT). The executing agency

[9] For program costs not built into the initial budget, including expenditures associated with learning and liaison with other, similar projects.

will be responsible to the Bank for maintaining the conditions for conducting the program and for its execution, in close cooperation with SEBRAE-NA and SEBRAE-SP, whose institutional objective is to promote the competitiveness and sustainable development of microenterprises and small businesses.

4.2 **Organization of project execution**. The executing agency will create a project execution unit (PEU), which will be responsible for executing the program's administrative, technical and operational activities, and will report to a management committee and an advisory board. The PEU will serve as the basis for the creation of a Technology Services Center for the Greater ABC Region (TSC) as the coordinating entity for the supply of services.

4.3 The advisory board will include all the entities involved and will be responsible for the project's general and strategic management. The board will meet twice a year or more frequently as necessary. The management committee, in turn, will consist of the executive secretary of ADE, SEBRAE-SP, SEBRAE-NA and a leading member of the business community selected by the board. The committee's primary responsibilities will include: (i) approving and updating the Annual Work Plan, budget and semiannual progress reports; (ii) providing a supplemental monthly report of outcomes obtained and corrective measures defined, when necessary; and (iii) selecting and supervising key personnel of the PEU. Further details are provided in the Operating Regulations (Annex IV).

4.4 **Procurement.** The beneficiary will procure the goods and services contemplated for the program and previously approved by the Bank in the semiannual procurement plan. These purchases will be made at market prices and pursuant to competitive methods and transparent procedures, in accordance with the policies set out in documents GN-2349-6 and GN-2350-6 and any simplified procedures the MIF may adopt. The mechanism of prior verification of expenses will be used during program execution. The Bank may opt for verification by post review for those expenses under US$20,000. Notwithstanding the foregoing, the Bank may determine that a given specific procurement will be subject to prior review, and may shift to prior review of all procurements at any time.

4.5 Eligible expenses that do not individually exceed US$1,000 or the equivalent will not require a prior no objection from the Bank, and the beneficiary may submit a list of the expenses and the corresponding invoices and vouchers may be reviewed. The contracting of individual or corporate consultants for services of up to one week's duration and/or a maximum of US$2,000 or the equivalent will be treated as a small purchase, and the fees will be paid upon submission of an invoice without executing a contract and entering it into PRISM.

4.6 **Disbursements**. Funds will be disbursed to the executing agency through the advance of funds procedure. The disbursement of up to 10% of the MIF resources

maintained in the revolving fund may be requested. All disbursements will be subject to timely receipt of the borrowers' contributions.

V. MONITORING AND EVALUATION

5.1 The Bank's Country Office will be responsible for program supervision. ADE will submit to the Bank for approval: (i) and initial report containing the program's action plan and procurement plan; (ii) semiannual reports of program execution no later than 30 days after the end of each half-year, as provided in the Operating Regulations; and (iii) a final report, no later than 30 days before the final disbursement, which will serve as the basis for preparation of the project completion report (PCR).

5.2 Two evaluations will be conducted by independent consultants selected and contracted directly by the Bank's Country Office: the first evaluation will be conducted when 50% of the funds have been disbursed or after 15 months of execution, and the second, two months before the end of project execution. The **midterm review** will take into consideration the following aspects, among others: (i) the extent to which the planned activities have been accomplished; (ii) the performance of the consultants and instructors contracted by the project; (iii) the effectiveness of the actions carried out; and (iv) the satisfaction of the beneficiary businesses. The **final evaluation** will take into consideration the following additional aspects: (i) the sustainability of the program; (ii) the effectiveness of the strategies involving technology products and services; (iii) the number, size and type of beneficiary businesses and business ventures; and (iv) the extent to which program objectives are met, particularly in terms of more businesses with products and services with greater value-added that participated in Components 1 and 3 of the program.

VI. ENVIRONMENTAL AND SOCIAL REVIEW

6.1 The proposed program will have no social or environmental effects, since its activities will be focused on the development of management capacities, modernization and technological improvements. In particular, these latter objectives will be prioritized according to their ability to improve the impact of industrial production on the environment, and it is therefore expected that the operation will have an indirect positive environmental impact.

VII. RATIONALE AND RISKS

7.1 **Risks.** The main risks facing this operation are: (i) that the technology supply will not meet the needs of the SMEs. This risk is mitigated by the technical assistance

offered in Component 2 of the project, which will strengthen the capacity to adapt the supply; and (ii) that the demand for technology services will not increase to a level that facilitates economies of scale and contributes to expansion of supply. This risk is mitigated by the project's promotion and dissemination activities, which will serve to position the project vis-à-vis the beneficiary businesses.

7.2 **Benefits.** The expected outcomes of the project are: (i) a sustainable initiative for coordination of technology services to SMEs; (ii) a set of new service products for those businesses; (iii) a significant increase in joint technology projects involving more businesses; and (iv) an increase in direct investment tied to integration with international value chains.

VIII. SPECIAL CONTRACTUAL CONDITIONS

8.1 The conditions precedent to the first disbursement will be: (i) the signing and entry into force of the agreement between ADE, SEBRAE-SP and SEBRAE-NA; (ii) the selection of the Program Coordinator in accordance with the terms of reference previously agreed with the Bank; and (iii) approval of the Operating Regulations.

IX. EXCEPTIONS TO BANK POLICIES

9.1 The project calls for no exceptions to Bank policies.

LOGICAL FRAMEWORK
PROGRAM FOR TECHNOLOGY SERVICES AND IDENTIFICATION OF MARKET TRENDS (BR-M1033)

Summary of objectives	Indicators	Means of verification	Assumptions
OBJECTIVE			
To strengthen public-private cooperation to create better conditions for productive development of small and medium-sized enterprises (SMEs) in the metalworking sector, especially access to technology services.	Three years after project completion: 1. In the geographic area of program activities, at least 25% of the target beneficiaries (500 to 2000 SMEs) will be served by the business service center (TSC/Guichê Único) and the local institutional network. 2. At least 5% of the target beneficiaries (100 to 2000 SMEs) will be competitively integrated into the global market, either individually or in association with others.	1. Statistics from monitoring program beneficiaries in comparison with the baseline. 2. Production and sales data for the SMEs.	1. The macroeconomic environment does not worsen substantially. 2. Industrial policies designed to promote entrepreneurial, technological and export development can be introduced gradually in the program target area.
OBJECTIVE			
To make technology services more widely available and used by metalworking SMEs in São Paulo's Greater ABC Region.	By program end: 1. At least 60% of the SMEs directly benefiting from the program will report a positive level of satisfaction with the technical assistance received. 2. At least 250 SMEs that participated in all phases of the program will have successfully implemented their initiatives utilizing know-how acquired in conjunction with the TSC/Guichê Único and the local institutional network. 3. The TSC/Guichê Único is performing its role in coordination with the local institutional network, delivering service quality and standard methodologies that meet the needs of SMEs.	1. Semiannual program reports prepared by the executing agency. 2. Program midterm and final evaluation reports. 3. Program baseline data. 4. Reports of the program management control and monitoring systems. 5. Project performance monitoring report (PPMR) and project completion report (PCR) (Bank internal control). 6. Reports on technical assistance to SMEs.	1. The beneficiaries continue to participate actively using the techniques and technologies transferred by the project. 2. Technical support from the TSC/Guichê Único and the local institutional network continues. 3. Market access for SME products and services is solid and continues to grow.

Summary of objectives	Indicators	Means of verification	Assumptions
COMPONENTS			
I. Identification of the market for technology services Identify characteristics of the market for technology services to the metalworking sector in terms of both supply and demand from businesses.	By 6 months after the start of execution: 1.1 The quality of local supply of technology services is assessed in at least 10 institutions of the region. 1.2 At least 100 of the target beneficiaries (2000 SMEs) express interest in making use of the opportunities offered by the program. 1.3 At least 4 institutions that offer technology services are partners in executing the program. By 12 months after the start of execution: 1.4 At least 150 of the SMEs targeted are interacting with the program on a regular basis. 1.5 At least 8 institutions that offer technology services are partners in executing the program By 18 months after the start of execution: 1.6 At least 250 of the SMEs targeted are interacting with the program on a regular basis. 1.7 Eight institutions that offer technology services are partners in executing the program. By program end: 1.8 At least 400 of the SMEs targeted are interacting with the program on a regular basis.	1. Semiannual program reports prepared by the executing agency. 2. Database from the demand study. 3. Database from the assessment of supply of services. 4. PPMR and PCR (Bank internal control). 5. Program midterm and final evaluation reports. 6. Informational and promotional materials.	1. Studies and assessments are of the expected quality. 2. Direct beneficiaries remain willing to embrace the products and services.

Summary of objectives	Indicators	Means of verification	Assumptions
II. Support for service centers and implementation of a business service center (TSC/Guichê Único) Strengthen and adjust the supply of technology services though training and technical assistance activities, based on the outcomes of the first component and the needs of the SMEs.	By program month 5: 2.1 The business service center (TSC/Guichê Único) has been created. By program month 12: 2.2 The resources of at least 8 institutions offering technology services have been evaluated in order to initiate a process of adaptation to the market. 2.3 At least 20 professionals from the TSC/Guichê Único and local institutional network have been trained by the MECCANO Center, including the design of new products and services. 2.4 The business plan for the TSC/Guichê Único has been prepared, including direct services and the services delivered through the local institutional network. By program month 18: 2.5 The resources of 2 additional institutions offering technology services have been evaluated and adapted to the market. 2.6 The business service center (TSC/Guichê Único) is operating and serving the market in close coordination with the local network. 2.7 Ten additional professionals from TSC/Guichê Único and local network have been trained by THE MECCANO CENTER, including the design of new products and services. By program end: 2.8 At least 30 professionals trained by the MECCANO Center are fully active in the TSC/Guichê Único and local institutional network.	1. Database of institutional resource evaluations completed. 2. Manuals with new standards and methodologies. 3. Teaching materials prepared for training. 4. Training evaluation results and reports of instructor-advisors. 5. Business plans prepared for the TSC/Guichê Único and local institutional network. 6. Semiannual program reports prepared by the executing agency. 7. Midterm and final evaluations. 8. PPMR and PCR.	1. Institutional evaluations are of the expected quality. 2. Content meets the needs of the training process. 3. Instructors are selected on the basis of proper criteria. 4. The proposed standards and methodologies are adapted to the needs and capabilities of the target beneficiaries (SMEs).

Summary of objectives	Indicators	Means of verification	Assumptions
III. Promotion of technology services to SMEs Promote the use of technology services by SMEs in the metalworking sector, providing technical assistance directly or through network institutions, as appropriate.	By program month 12: 3.1 At least 150 businesses have benefited from technology information services and technology dissemination products and services (tests, measurement, product design, troubleshooting, and training of personnel in innovation and management). 3.2 A market intelligence system involving the TSC/Guichê Único and local institutional network has been implemented. By program month 24: 3.3 At least 300 businesses have benefited from technology information services and technology dissemination products and services (tests, measurement, product design, troubleshooting, and training of personnel in innovation and management). By program end: 3.4 At least 400 businesses have benefited from technology information services and technology dissemination products and services (tests, measurement, product design, troubleshooting, and training of personnel in innovation and management). 3.5 A market intelligence system involving the TSC/Guichê Único and local institutional network is operating with a portion of the services financed by the users.	1. Semiannual project reports prepared by the executing agency. 2. Access records of the market intelligence system. 3. Satisfaction survey of SMEs assisted by the program. 4. On-site observation of the use of technology products and services transferred to the SMEs. 5. Reports of technical specialists/advisors on direct technical assistance provided. 6. Midterm and final evaluations. 7. PPMR and PCR.	1. The institutions participating in the network maintain a commitment to participate in the program. 2. The technical assistance program's target beneficiaries are willing to allocate economic and/or financial resources for services. 3. Consultant instructors from the MECCANO Center and local institutional network are available to work in the Greater ABC Region. 4. Technical assistance contracts are negotiated and executed when needed to serve the needs of the customers (SMEs).

Summary of objectives	Indicators	Means of verification	Assumptions
IV. System to monitor and evaluate outcomes and synthesize lessons learned for dissemination. Synthesize the experience gained and disseminate program outcomes.	By program month 6: 4.1 The project baseline has been set. 4.2 Tools for program management, monitoring and control are in place. By program month 24: 4.3 At least one presentation of data from the monitoring and evaluation system has been held. By program end: 4.4 At least three success stories have been disseminated through 2 regional seminars.	1. Semiannual program reports prepared by the executing agency. 2. The methodology and outcomes of technical assistance activities as presented in the SEBRAE publication "*Histórias de Sucesso*" [Success Stories]. 3. Satisfaction survey of the program's target beneficiaries. 4. Reports of monitoring system measurements. 5. Midterm and final evaluations. 6. PPMR and PCR.	1. Other regions and countries are willing and able to replicate the model(s) developed.
ACTIVITIES			
I. Identification of the market for technology services. • Assess demand from the metalworking sector in the Greater ABC Region of the State of São Paulo. • Determine the quality of technology services provided to the metalworking sector. • Strengthen the relationship between businesses and the local technology information and services system. • Promote the program.	By program month 2: 1.1 One consulting assignment has been contracted to begin assessment of the demand for technology services. 1.2 One consulting assignment has been contracted to begin assessment of the quality of technology services. By program month 3: 1.3 At least 1 awareness raising and mobilization/ alignment event has been held involving service providers and selected SMEs. 1.4 Initial promotional and dissemination materials have been prepared and distributed to the target beneficiaries and opinion leaders.	1. Semiannual program reports prepared by the executing agency. 2. Records of meetings and events. 3. Materials and products for the communications strategy. 4. Database of supply and demand for technology services.	1. Direct beneficiaries remain willing to embrace the products and services. 2. Trained, motivated personnel from technology service providers are available to provide technical assistance to the SMEs in the metalworking sector.

Summary of objectives	Indicators	Means of verification	Assumptions
	1.5 A program kickoff event has been held in the Greater ABC Region of the State of São Paulo. By program month 6: 1.6 A second awareness raising and mobilization/ alignment event has been held involving institutions from the technology service provider system and selected SMEs. 1.7 A workshop has been held to present the finding of the supply assessment of technology services vis-à-vis the demand identified. By 12 months after the start of execution: 1.8 The program image, communication strategy and website materials have been developed. 1.9 Promotional and dissemination materials have been updated, including the findings of the supply and demand assessments. 1.10 Outcomes of the workshop on the supply and demand assessments of technology services have been disseminated to the beneficiary SMEs. 1.11 At least two additional awareness raising and mobilization/alignment activities have been held involving institutions of the technology service provider system and selected SMEs. By program month 18: 1.12 One event has been held in the Greater ABC region to present program progress to the target beneficiaries. By program end: 1.13 Promotional and dissemination materials will have been reproduced/updated every six months on average during the 30 months of program execution.		

Summary of objectives	Indicators	Means of verification	Assumptions
II. Support for service centers and implementation of a business service center (TSC/Guichê Único) • Evaluate and adapt providers' technology services to the SMEs. • Create of a business service center and strengthening of the technology services network. - Training, preparation and alignment of the professionals involved in the program. - Development of procedures and methodology for business services. - Creation, implementation and maintenance of the business service center, including investment in basic equipment. - Preparation of the business plan for the service center (TSC/Guichê Único) and institutional network. - Periodic events involving network institutions to disseminate and exchange information.	By program month 3: 2.1 Professionals have been identified and contracted for the program execution unit (PEU): 1 director, 1 coordinator, 1 secretary, 1 administrative assistant, 1 legal advisor and 1 accounting advisor. 2.2 The TSC/Guichê Único is up and running at the facility provided by the participating institution. 2.3 MECCANO Center consultants have completed the evaluation of institutional needs and design of the training program. By program month 6: 2.4 The first training module has been conducted in Brazil for TSC/Guichê Único professionals and technology service providers with guidance from the MECCANO Center. By program month 7: 2.5 Supply and demand data have been identified and consolidated in the first TSC/Guichê Único business plan. By program month 9: 2.6 The first products and services have been designed by the trained TSC/Guichê Único team and institutional network with supervision and guidance from the MECCANO Center. 2.7 Training has been provided by the MECCANO Center in Italy for 3 professionals selected from the TSC/Guichê Único and local institutional network.	1. Database of studies and evaluations prepared by the MECCANO Center. 2. Teaching materials prepared for training activities. 3. Evaluations of training activity outcomes. 4. Business plans prepared for the TSC/Guichê Único and local institutional network. 5. The technology products and services developed and available. 6. Records of meetings and events. 7. Semiannual program reports prepared by the executing agency.	1. Contents, training are adapted to the characteristics and needs of the TSC/Guichê Único and the institutional network. 2. Instructors are selected on the basis of criteria appropriate to the training required. 3. Level of contribution and participation of the institutions involved in making data and resources available.

Summary of objectives	Indicators	Means of verification	Assumptions
	By 12 months after the start of execution: 2.8 More than 2 training modules have been completed in Brazil for professionals from the TSC/Guichê Único and institutional network. By program end: 2.9 During the program, 4 events have been held within the network at the TSC/Guichê Único and/or participating institutions to exchange ideas, knowledge and technological information.		
III. Promotion of technology services to SMEs • Business services. • Market intelligence system • Disseminate services and raise awareness of businesses.	By program month 12: 3.1 Of the target beneficiaries identified, at least 200 have received services from the TSC/Guichê Único and local institutional network, including the market intelligence system. By program month 24: 3.2 Activities to provide technology services to SMEs continue, and at least 300 businesses have joined the program. By program end: 3.3 Of the projected target beneficiaries, a total of 400 businesses have received services from the TSC/Guichê Único and local institutional network under the supervision of the MECCANO Center. 3.4 The program has maintained an ongoing process to promote services and raise awareness during execution. 3.5 The business plan for the TSC/Guichê Único and institutional network has been updated at least once.	1. Semiannual program reports prepared by the executing agency. 2. Reports of the monitoring system. 3. Satisfaction survey of SMEs assisted by the program. 4. Reports from technical specialists/ advisors on direct technical assistance provided. 5. Midterm and final evaluations. 6. PPMR and PCR.	1. The institutions participating in the network remain committed to participating in the program. 2. The technical assistance program's target beneficiaries are willing to allocate economic and/or financial resources for services. 3. Consultant instructors from the MECCANO Center and international network are available to work in the Greater ABC Region. 4. Technical assistance contracts are negotiated and executed when needed to serve the needs of the customers (SMEs).

Summary of objectives	Indicators	Means of verification	Assumptions
IV. System to monitor and evaluate outcomes and synthesize lessons learned for dissemination. • Set the baseline. • Implement a system to monitor activities and outcomes. • Synthesize experiences for later inclusion in publications such as SEBRAE's "*Histórias de Sucesso*" [Success Stories]. • Hold 2 regional seminars to disseminate and exchange information and disseminate technology for the metalworking sector.	By program end: 4.1 Program outcomes have been synthesized and disseminated through ADE, SEBRAE and beneficiary media outlets in the Greater ABC Region and other regions of Brazil.	1. Semiannual program reports prepared by the executing agency. 2. Publications such as SEBRAE's *"Histórias de Sucesso"* [Success stories] and media outlets of the target beneficiary community and surroundings. 3. Midterm and final evaluations. 4. PPMR and PCR.	1. The model(s) tested and approved by the program can be replicated for other regions and countries.

Itemized Budget
Program for Technology Services and Identification of Market Trends (BR-M1033)

	Activities					TOTAL (US$)	Total (US$)				%
							MIF	Counterpart			
								SEBRAE	Marche Region	PRIVATE SECTOR	
								Financial	Economic	Economic	
Component I: Identification of the market for technology services											
1.1	**Assessment of metalworking sector demand**	Survey of business located in the Greater ABC Region in São Paulo (organization. and technology assessment)				**120,000**	-	120,000	-	-	6.8%
		Ad hoc consultant (lump sum) for definition of target market and strategic posiioning of the proposed service center				**9,000**	-	-	9,000	-	0.5%
1.2	**Identification of the quality of technology services supply for the metalworking sector.**	Alignment of supply from R&D institutions located in the ABC and vicinity (secondary data and quality interviews)				**13,000**	-	13,000	-	-	0.7%
		Workshop to present results of research on supply vis-à-vis the identified demand (logistics, consulting assignment and materials)				**17,000**	-	11,000	6,000	-	1.0%
1.3	**Strengthening of the relationship between businesses and the local technology information and services system**	Inicial technical assistance and strategic institutional training for services to the metalworking sector (logistics, consulting assignment and materials)				**12,000**	-	12,000	-	-	0.7%
1.4	**Program promotion**	Preparation of dissemination materials (during the 30 months, the costs will recur every six months)				**32,000**	-	32,000	-	-	1.8%
		Press and Communications Consulting				**80,000**	-	80,000	-	-	4.5%
		Program kickoff event in the ABC Region and event (at 18 months) to present program status and progress				**25,000**	-	25,000	-	-	1.4%
COMPONENT I SUBTOTAL						**308,000**	**-**	**293,000**	**15,000**	**-**	**17.5%**
Component II: Support for service centers and implementation of a business service center ("Single point of contact")											
Area of Intervention: Adaptation of supply from technology services provider network to the SMEs											
2.1	**Evaluation and adaptation of services supply and requirements definition**	Personnel training to improve quality standardization and methodologies (MECCANO consulting assignment)				**50,000**	-	-	50,000	-	2.8%
		Identification and design of new technology services and products adapted to business needs (MECCANO consulting assignment) and ad hoe local consultant for preparation of operational manuals and other tools.				**61,000**	-	11,000	50,000	-	3.5%
Area of Intervention: Creation of a business service center and strengthening of the technology services network.											
2.2	**Training, development and alignment of the professionals involved in the program**	Program development, instructors, materials, logistics, travel and per diem for management training of information network professionals in Brazil and transfer of technology (MECCANO consulting assignment)				**70,000**	-	-	70,000	-	4.0%
		Program development, instructors, materials, logistics, travel and per diem for management training of information network professionals in Brazil and transfer of technology (MECCANO consulting assignment)				**52,000**	-	-	52,000	-	3.0%
2.3	**Development of procedures and methodology for business services.**	MECCANO consulting assignment for standardization of procedures and methodologies for the provision of services to SMEs				**45,000**	-	-	45,000	-	2.6%
2.4	**Creation, implementation and of a business service center ("Single point of contact")**	Human resources needed for program execution and continuity				**73,000**	73,000	-	-	-	4.1%
		Purchase of equipment necessary for implementation and maintenance of the Center				**125,000**	75,000	-	-	50,000	7.1%
		Cost to rent the site where the Center will be located				**96,000**	-	-	-	96,000	5.5%
		Water, electricity, telephone, miscellaneous.				**24,000**	-	-	-	24,000	1.4%
2.5	**Preparation of the business plan for the Center and institutional network**	Organization of the services offered by the networking to meet identified demand.				**9,000**	-	9,000	-	-	0.5%
		Business plan and periodic updates				**20,000**	-	5,000	15,000	-	1.1%
2.6	**Events**	Participation by the Technological Center ("Single point of contact") in events at the center and elsewhere				**19,000**	-	19,000	-	-	1.1%
SUBTOTAL COMPONENT II						**644,000**	**148,000**	**44,000**	**282,000**	**170,000**	**36.6%**
Component III: Promotion of technology services to SMEs											
3.1	**Services to businesses.**	Direct technical assistance to businesses				**196,000**	116,000	51,000	29,000	-	11.1%
3.2	**Market Intelligence System (adaptation of existing MECCANO system).**	Design and implementation of a Market Intelligence System for identification and dissemination of information concerning technological innovations.				**95,000**	46,000	-	49,000	-	5.4%
		Technical assistance and monitoring of technological information with a view toward industrial policy for the sector				**59,000**	30,000	29,000	-	-	3.4%
		Technical assistance to businesses in connection with technology-related information				**65,000**	40,000		25,000		3.7%
3.3	**Dissemination of services and awareness raising for businesses**	Dissemination of supply of services and raising awareness of demand (ongoing activity)				**45,000**	45,000	-	-	-	2.6%
SUBTOTAL COMPONENT III						**460,000**	**277,000**	**80,000**	**103,000**	**-**	**26.1%**
Component IV: System to monitor and evaluate results and synthesize lessons learned for dissemination											
4.1	**Definition of program baseline**	Consulting services				**10,000**	-	10,000	-	-	0.6%

Itemized Budget
Program for Technology Services and Identification of Market Trends (BR-M1033)

Activities						TOTAL (US$)	Total (US$)				%
							MIF	Counterpart			
								SEBRAE	Marche Region	PRIVATE SECTOR	
								Financial	Economic	Economic	
4.2	**Implementation of a system to monitor activities and outcomes**	System for monitoring and periodic measurement				**25,000**	-	25,000	-	-	1.4%
4.3	**Synthesizing the experience**	Production of publications on outcomes				**20,000**	-	20,000	-	-	1.1%
4.4	**Two regional seminars for dissemination and exchange of technical assistance**	Events in the Greater ABC Region (2)				**19,000**	-	19,000	-	-	1.1%
SUBTOTAL COMPONENT IV						**74,000**	**-**	**74,000**	**-**	**-**	**4.2%**
Project management and administration											
	Financial and administrative assistant					**61,000**	-	61,000	-	-	3.5%
	Legal services					**48,000**	-	48,000	-	-	2.7%
	Project coordination					**90,000**	-	90,000	-	-	5.1%
SUBTOTAL MANAGEMENT AND ADMINISTRATION						**199,000**	**-**	**199,000**	**-**	**-**	**11.3%**
Monitoring and evaluation (M&E)											
	Midterm and final evaluation					**30,000**	30,000	-	-	-	1.7%
	Audits					**5,000**	5,000	-	-	-	0.3%
SUBTOTAL M&E						**35,000**	**35,000**	**-**	**-**	**-**	**2.0%**
Contingencies						**40,000**	**40,000**	**10,000**	**-**	**-**	**2.3%**
GRAND TOTAL						**1,760,000**	**490,000**	**700,000**	**400,000**	**170,000**	**100.0%**

BRAZIL. PROGRAM FOR TECHNOLOGY SERVICES AND IDENTIFICATION OF NEW MARKET TRENDS
(BR-M1033)

A. Similar or related MIF projects

Project number/ date of approval	Title of project, executing agency and amount	Date of signing and original disbursement period and extensions in months	Percentage disbursed	Comments
ATN/ME-6001-BR 10-Jun-98	Santa Catarina technology incubator project Instituto Euvaldo Lodi de Santa Catarina US$3.5 million	22-Jul-98 54 24	100%	The delay in execution is due largely to problems associated with the tenders for construction of the premises for the two incubators. In the future, project teams should more carefully consider such needs.
ATN/ME-7626-BR 10-Oct-01	Development of new agricultural technology-based enterprises and transfer of technology Empresa Brasileira de Pesquisa US$1.6 million	22-Jan-02 54 17	14%	The execution unit got the project underway in 2005 with a series of activities with the pilot units after an extension had been granted. It is also worth noting that the volume of disbursements is relatively low for the results achieved by the executing agency.

Project number/ date of approval	Title of project, executing agency and amount	Date of signing and original disbursement period and extensions in months	Percentage disbursed	Comments
ATN/ME-7927-BR 26-Jun-02	Program for the development of industrial districts Brazilian Microenterprise and Small Business Support Service (SEBRAE) US$2,075,000	10-Sep-02 36 15	50%	The program continues to make significant progress in practically all components. The partnership between SEBRAE and the PROMOS agency of the Milan Chamber of Commerce for the design and internationalization of small businesses has shown itself to be highly efficient and has also produced positive results. Resources are largely committed: SEBRAE has advanced funds but not yet requested reimbursement for them. It has already allocated US$2.78 million as a counterpart contribution, more than the entire counterpart contribution for the program. The findings of the evaluation of the program's impact on industrial districts in 2005 were positive and promising, given increases in: (i) entrepreneur participation in collective organizations; (ii) the number of collective organizations; (iii) the ratio of formal to informal sector workers; (iv) physical output, sales, and productivity; and (v) the number of companies that have embraced technological innovations.
ATN/ME-8643-BR 5-Jan-04	Quality enhancement through human resource development Instituto de Pesquisas Tecnologicas US$95,000	22-Apr-04 30 0	80%	All objectives are being met. The program enjoys a high level of acceptance, and the following concrete outcomes have observed during visits following training courses: higher technical quality of service, environmental improvements, streamlining and better selection of raw materials, plant changes, and changes in operating procedures. New companies may join as a result of the strong program evaluation, such as the Federal Technology Center of Goiânia (CEFET).

Project number/ date of approval	Title of project, executing agency and amount	Date of signing and original disbursement period and extensions in months	Percentage disbursed	Comments
ATN/ME-8645-BR 5-Jan-04	Implementation of a quality system in the civil construction sector Serviço Nacional de Aprendizagem Industrial [National Industrial Training Service] US$60,150	29-Apr-04 30 0	30%	The Bahia office of SENAI is working hard to implement the program, yet is experiencing delays in forming groups of companies and conducting evaluations in two subsectors. Execution in the refrigeration subsector is proceeding satisfactorily, and the red ceramics subsector is in the initial phase of execution. The April 2006 project completion deadlines could not be met. The third subsector - mixed concrete - was eliminated and replaced by the ornamental stones subsector, where work is beginning with the identification of participating companies and their initial evaluation. The executing agency has pushed back the project start date, but has already identified participating companies in the three subsectors and has the installed capacity to complete execution by the new deadlines.
ATN/ME-8699-BR 12-Apr-04	Competitiveness of the Mimbre production chain Brazilian Microenterprise and Small Business Support Service (SEBRAE) US$89,500	24-Jun-04 30 0	41%	After a slight delay in the fulfillment and approval of conditions precedent, the executing agency has begun project activities, approaching small-scale craftworkers and winegrowers and conducting promotional and training activities among the target beneficiaries.
ATN/ME-8677-BR 13-Apr-04	Support for the beekeeping production chain in Piaui Federação das Entidades Apícolas do Estado do Piauí (FEAPI) US$65,000	15-Apr-04 30 0	30%	The executing agency, Beekeepers Federation of Paiuí (FEAPI), has changed addresses several times, which stalled project activities in 2005. It believes that it can complete the activities on schedule, once the project is back on track. The entities with which SEBRAE's Paiuí office has entered into agreements, Embrapa Meio-Norte and the state's Department of Rural Development, remain active, which will facilitate resumption of the suspended activities.

B. Similar or related Bank projects in Brazil

Project Number	Title of project, executing agency and amount	Date of approval and disbursement period	Objective
BR-L1023 1738/OC-BR	Program to strengthen business activity in the State of Bahia State of Bahia Department of Science, Technology, and Innovation (SECTI) US$10 million	1-Jun-06 36 months	The program's general objective (goal) is to foster competitiveness of local industry clusters (APLs) in the state of Bahia. Its specific objective (purpose) is to coordinate a variety of business support instruments to promote sustainable competitive practices in firms comprising the clusters benefiting from the program. The program has four components: 1. Sensitization, mobilization, and coordination of local industry clusters (US$2,552,000); 2. Matching the supply of cluster business services to demand (US$855,000); 3. Direct actions to strengthen cluster competitiveness (US$10,551,000); and 4. Dissemination, monitoring, and evaluation of the program (US$585,000)