

# MIDAS

## MÁS INVERSIÓN PARA EL DESARROLLO ALTERNATIVO SOSTENIBLE

### Program Level Work Plan

**April 2006**

**Contract No. 514-C-00-06-00301-00**



**USAID**  
FROM THE AMERICAN PEOPLE

**COLOMBIA**

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### MIDAS Program-level Acronyms

ABC	Agribusiness Component
ADAM	Áreas de Desarrollo Alternativo en los Municipios
ARD	Associates in Rural Development
ASOCARS	Asociación de Corporaciones Autónomas Regionales
BDC	Business Development Component
BIRF	Banco Interamericana de Reconstrucción y Fomento
CADEFOR	Centro Amazónico de Desarrollo Forestal
CAF	Corporación Andina Fomento
CAPP	Colombia Agribusiness Partnership Program
CARS	Corporaciones Autónomas Regionales
CDM	Clean Development Mechanism
CED	Colombia Enterprise Development
CFC	Commercial Forestry Component
CIF	Certificado Incentivo Forestal de reforestación
CONIF	Corporación Nacional para la Investigación Forestal
DCA	Development Credit Authority
FAO	Food and Agricultural Organization
FEDEMADERA	Federación Nacional Maderera
FINAGRO	Fondo para la financiamiento del sector Agropecuario
FIP	Fondo de Inversión para la Paz
FOMIPYME	Fondo Colombiano de Modernización y Desarrollo Tecnológico de las Pequeñas y Medianas Empresas
FONAM	Fondo Nacional Ambiental
FPAA	Fondo Para la Acción Ambiental
FUPAD	Fundación Panamericana para el Desarrollo
GDA	Global Development Alliance
GEF	Global Environmental Fund
GoC	Government of Colombia
IDB	Inter Development Bank
IDP	Internally Displaced Populations
IESC	International Executive Service Corps
IICA	Inter-American Institute for Cooperation on Agriculture
INCUAGRO	Incubadora Empresarial de Producción y Comercialización Agropecuaria
MAVDT or MMA	Ministry of the Environment
MIDAS	Mas Inversión para el Desarrollo Alternativo Sostenible
MoA	Ministry of Agriculture
OAS	Organization of American States
OIM	Organización Internacional para las Migraciones
PC	Project/Proposal Coordinator
PCFP	Plan Colombia Forestal Program
PILAS	Programa de Apoyo y Asistencia Humanitaria Integral a la Población Internamente Desplazada y Otros Grupos Vulnerables
SME	Small and Medium Enterprises
TIMOs	Timber Investment Management Organizations
USAID	United States Agency for International Development

## COMMON DEFINITIONS

Client – USAID (no other use of client)

Potential Proponent – an organization from whom MIDAS would like to receive a proposal

Proponent – an organization that has submitted a proposal

Customer - the recipient of a project grant or sub-contract

Grantee – the beneficiary of a project implementation grant

Program Subcontractor – A US or Colombian firm with whom ARD has an agreement to participate in MIDAS; US Subs agreements have anticipated LoE levels

Subcontractor – any recipient of a direct contract from MIDAS to provide MIDAS with goods or services

The Contract – the agreement between ARD and USAID that describes MIDAS deliverables and parameters

Program – a multi-component, USAID-sponsored undertaking such as MIDAS, ADAM and PILAS

Project – a written plan to develop or expand a business to which MIDAS will provide partial financial support

Proposal – an incomplete business plan that is being screened, assessed and developed into a possible project. Only proposals that are determined to be sustainable and will significantly contribute to program objectives will become projects.

Component – SME, Commercial Forestry, Agribusiness and Policy divisions of MIDAS

ARD Colombia Shared Services – the Controller, Administration, Security and Outreach departments

Arranque Rapido – a proposal on which a Go/No Go decision will be made in the first six months or an activity that will be implemented prior to June 30, 2006

Permanent Task Force – a group of managers in the same technical area from more than one Program that develop common approaches and procedures, but have responsibility for that technical area for a specific Program; e.g., Grants & Sub-contracts or M&E/Environment

Program Support Department – a technical area that provides support services to all MIDAS components e.g. Program Planning, Grants and Contracts, Project Financial Analysis and Technical Services

Alliance – an agreement between two or more parties to further common interests, especially alternative development activities that deter any initiatives to undertake illicit activities. This agreement should be written, and can involve monetary or in-kind contributions.

# MIDAS Program-level Work Plan

April 2006

## I. LIFE OF PROJECT

### 1. Basic Objectives

#### 1.1. Qualitative

The basic MIDAS objective is:

“Crowd out” illicit activities by generating significant new sources of alternative income via an integrated, well coordinated and highly leveraged program of sustainable business development and economic policy and institutional reform activities.

MIDAS sub-objectives are:

- Create significant new and alternative licit income sources to strengthen Colombia’s economy and shift private initiatives away from illicit activities;
- Help create an environment that will promote and enhance the overall level of political, economic and social development; and
- Strengthen the business environment by promoting entrepreneurial capabilities and competitiveness along value chains, and help business managers conform to international business and technical standards.

#### Consistency with Mission Strategy

MIDAS will directly promote and support activities that contribute to USAID Strategic Objective 2 “Expanded Economic and Social Alternatives to Illicit Crop Production.” (Table 1 below shows the contribution of MIDAS to specific USAID SOs and IRs.) Such activities will also support USAID’s new Mission strategy. Key parts of this strategy are the integration of projects into multi-faceted programs, and geographic focusing. MIDAS was designed, and will be implemented, as a fully integrated program. We will closely coordinate the Agribusiness, Commercial Forestry and SME components so they perform as a single fully integrated program. The Policy Component’s reform support agenda will lead to enhancing the overall competitiveness of the Colombian economy and ensuring that it reaches a sustainable long-term growth path. This will not only improve the profitability of legal economic activities in Colombia, but will also improve the ability of the other components to achieve their objectives. The Business Development Components (BDCs), specifically Agribusiness, Commercial Forestry and SMEs, will identify important policy and institutional constraints and communicate them to the Policy Component for reform.

MIDAS will focus all BDC efforts on the six Growth Corridors identified by USAID. When combined with the work of ADAM and PILAS in many of the same Corridors, this will concentrate the efforts of USAID programs into the geographic areas where our cumulative activities will have the greatest impact on alternative income generation, job creation, economic growth and, therefore, peace and stability.

A very important USAID, and therefore MIDAS, objective is full coordination with the other USAID Alternative Development programs and with related Government of Colombia (GoC) programs. Given

both MIDAS and ADAM are ARD managed programs, we will be able to carefully and fully coordinate the activities of both programs, especially in the four Corridors where both programs will be operating. We are developing a plan for sharing offices with ADAM and PILAS where all three programs are in the same location. We have a specialist in Technical Services who is responsible for cross-program coordination. Corridor Office Managers will be directly responsible for coordinating not only the work of the three MIDAS components in their corridor, but also coordinating Corridor-level work with ADAM, PILAS and GoC AD related MIDAS activities. We will coordinate closely with PILAS, and to a lesser extent with ADAM, at both the national and corridor level to involve Vulnerable Groups in MIDAS activities.

The combination of our program-level and cross-program coordination, and the concentration of resources into limited geographic areas, will have an important, significant and positive impact on MIDAS, USAID and GoC objectives, and will verify the merits of this new approach to Alternative Development. MIDAS will also give special attention to projects operating in conflict zones and will include this as one of the selection criteria in the proposal evaluation process.

Another important area of focus for MIDAS related to the USAID Mission goal of supporting for work in conflict zones. MIDAS recognizes that the Program is a major USAID instrument for addressing problems in conflict areas, particularly those related to income and socio-economic conditions. We understand the importance of helping to reduce conflict by providing viable and sustainable economic alternatives in conflict zones. Therefore, special emphasis will be placed on identifying and developing potential projects in or near conflict zones. One of the important screening criteria for selecting BDS proposals will be whether the potential project is in or near a conflict zone. Therefore, potential projects in or near these zones will be scored higher than those outside conflict zones on this criterion. Developing proposals and implementing projects in conflict zones will require special techniques, including relying more heavily on local entities to identify, and help develop and implement the project.

#### Partnering with USAID

The MIDAS team clearly recognizes the great importance of very effective communications with USAID. The MIDAS program, especially after the CAPP merger, and with our corporate and operational linkages to ADAM, is a very important part of USAID's new strategy and objectives. MIDAS will have very effective, accurate and frequent communications with USAID focused on achieving our mutual objectives. Specific channels of communication have been established between the USAID CTO and Activity Managers and MIDAS management. A weekly coordination meeting will take place every Friday. We recommend that USAID schedule meetings, initially frequently, between MIDAS, ADAM and PILAS to facilitate coordination between the three programs, especially as related to vulnerable groups. MIDAS management is committed to work with USAID in a seamless manner.

Day-to-day communications at the component level will be between the MIDAS Component Manager and the USAID Activity Manager. However, both have the obligation to inform the DCoP/CoP and CTO of significant decisions, plans and issues discussed during direct contact between the Component Manager and the Activity Manager.

We are clear that USAID is responsible for relations with the GoC and MIDAS will a) notify the relevant Activity Manager and our CTO prior to scheduling or agreeing to meetings with Ministers or Deputy Ministers, and b) report the important contents of other meetings with significant government officials to USAID within five working days of the meeting. If issues of significance arise in such meetings, a member of the MIDAS Management team will personally, or at least via an e-mail, brief the CTO on the significant contents of the meeting. With USAID approval, MIDAS will schedule, and coordinate with USAID the contents of a Quarterly Review Meeting involving Acción Social, the Ministry of Agriculture,

National Planning Department, Ministry of Commerce and other AD-related GoC groups selected by USAID and the GoC. These meetings will provide an opportunity for USAID to communicate how it is assisting GoC entities to achieve their AD-related objectives, as well as make sure MIDAS programs are operating consistent with GoC expectations. The main purpose of the Quarterly Review Meeting is to communicate the progress of MIDAS activities, and solicit the assistance of the GoC in resolving important challenges MIDAS may face.

## 1.2. Quantitative Objectives and Relationship to USAID SOs and IRs

Table 1 shows the key MIDAS indicators and how they will affect USAID SOs and IRs. As can be noted, MIDAS anticipates having a significant impact on the key indicators of Jobs Created and Hectares Supported. Direct jobs created, that will provide an alternative to involvement in illicit activities, are expected to be around 177,000 and indirect jobs 400,000. Hectares of licit crops supported are anticipated to be around 347,500. These are very aggressive objectives and assume continuation of the current positive political and economic environment and consistently improving security conditions, especially in and around project sites.

**Table 1: Consolidated MIDAS Indicators**

Performance Indicators	SO	IR	SME	AGRIBUSINESS	COMMERCIAL FORESTRY	POLICY	TOTAL
1. Number of Jobs Created	SO2, SO3	2.1	125,000	31,000	21,000	400,000*	177,000
2. Hectares Supported	SO2	2.1	NA	130,000	67,500		197,500
2.1. Hectares Devoted to Licit Natural Forest Management	SO2	2.3	NA	NA	150,000		150,000
3.1 Number of Families Benefited (ACI)	SO2	2.1	125,000	16,000	7,600		148,600
3.2 Number of Families Benefited (Internal)	INTERNAL		418,000	NA	NA		418,000
4. Sales Increased Percentage Per Year/SME	SO2	2.1	20%	NA	NA		20%
5. Producer Associations/ Processor Strengthened	INTERNAL		TBD	30	35		65
6. Proposals Being Processed	INTERNAL		13,496	123	133		13,752
7. Projects Signed	INTERNAL		3,896	45	40		3,981
8. Number of Alliances Developed	INTERNAL		255	45	40		340
9. Private Sector Firms Formed or Strengthened	SO2	2.2	10,400	45	50		10,495
10. Productive Infrastructure Projects Completed	SO2	2.1	TBD	TBD	12		12
11. Total Value of Supported Projects (US \$000)	INTERNAL		\$130,000	\$186,207	\$111,504		\$427,711
12. MIDAS Average Share of Total Investment	INTERNAL		20%	14.5%	17.4%		17%
13. MIDAS Total Project Support (US \$000)	INTERNAL		\$26,000	\$27,000	\$17,000		\$70,000
14. Private Sector Funds Utilized (US \$000)	SO2, SO3	2.2, 2.1	\$97,500	\$159,207	\$85,639		\$342,346
15. Colombian Public Sector Funds Utilized (US \$000)	SO2	3.1	\$6,500	-	\$8,865		\$15,365
16. Reduction in Unemployment	SO2	3.1	NA	NA	NA	2%	2%
17. Families Working in the Formal Sector	SO2	3.1	NA	NA	NA	5,000,000*	0
18. Number of Communities under Illicit Crop Free Agreements	SO2	3.1	NA	30	NA	NA	30
19. Number of Families under Illicit Crop Free Agreements	SO2	2.1	NA	16,000	NA	NA	16,000

\* Indirect Impact

Therefore, through the Agribusiness, SME and Commercial Forestry Components, MIDAS will contribute directly to the achievement of IR 2 – *Sustainable Licit Economic Opportunities Expanded* and through the Policy Component contribute directly to IR 3 – *Strengthened Economic Governance and Competitiveness*,

both part of USAID/Colombia's SO 2 – *Expanded Economic and Social Alternatives to Illicit Crop Production*. Additionally, by including IDPs in productive projects and political reforms, MIDAS will also contribute to IR 1 – *Adequate Economic and Social Opportunities for IDPs and Other Vulnerable Groups Available* under USAID/Colombia's SO 3 – *Successful Reintegration of IDPs and Support to Other Vulnerable Groups*.

## 2. Approach and Methodology

### 2.1. Principles

The MIDAS principles are the Platform Planks shown in the text box below. These planks form the foundation for MIDAS activities.

<b><u>MIDAS PLANKS</u></b>	
1)	<b>Generate Significant New Sources of Alternative Development (AD)</b>
a)	Directly: increase alternative sources of income to involvement in activities related to coca and poppies (Business Development Components)
b)	Indirectly: increase sources of alternative income by enhancing the policy and institutional environment that supports economic growth and private sector competitiveness (Policy Component)
2)	<b>Commercial Forestry, Agribusiness and SME Components all Focused on the Development of Sustainable Businesses</b>
a)	Solicit, screen, assess, develop and support the implementation of sustainable businesses that will <u>significantly</u> increase alternative sources of income
i)	SME jobs creation via significant business expansion
ii)	Supported hectares of agriculture and forestry plantations that make less land available for the production of illicit crops and provide a sustainable source of alternative income
b)	Sustainable means long-term existence based on the successful financial, managerial, environmental and social performance of supported projects
3)	<b>Policy and Institutional Reform in Support of GoC Objectives</b>
a)	Support the GoC in the development and implementation of competitiveness-enhancing economic policy and institutional reforms at the macroeconomic and sectoral level in a manner that helps place Colombia on a sustainable and equitable medium-term economic growth path, and expands private investment and job creation
b)	The policy and business development components will have an active ongoing dialogue on economic policy/institutional reform priorities and strategies as these relate to/affect private investment and job growth in the SME, agribusiness, and commercial forestry sectors. In addition, the Policy Component and the BDCs will work together to ensure the consistency of productive sector support strategy and programs with financial/economic sustainability requirements and sound economic policy
c)	Additional sectoral reforms needs will be identified by the BDCs and ADAM, and then communicated to the Policy Component for discussion with the GoC
4)	<b>AD Longer Term Sustainability Achieved</b>
a)	By proving it can be accomplished on a large scale (demonstration effect)
b)	By stimulating dominantly private sector involvement and investment in projects
c)	Using local entities during the proposal development and project implementation process to enhance their capacity to continue AD-related business development post-MIDAS
d)	Promoting Colombianization and the development of Colombian legacy institutions via their participation in MIDAS proposal development and project implementation activities
5)	<b>Function as a Catalyst</b>
a)	Helping customers develop and implement projects <u>they want to do</u>
b)	Position is predominately reactive rather than proactive regarding sub-sectors or geographic locations
c)	It is the proponent's business, therefore the proponent assumes managerial and financial (mostly) responsibility and liability
d)	We help the proponent develop, launch, sustain and/or expand <u>their</u> business

- 6) **Stimulate as Many Proposals from Target Geographic Areas and Customer Types as Possible**
  - a) Generate a wide selection of proposals, then select the best
  - b) CAPP is supporting only 26% of proposals submitted by potential proponents
- 7) **Stay Involved with Projects Until They are Able to Achieve a Positive Cash Flow**
  - a) May be several years
  - b) Utilize the REVA (Review, Evaluate, Verify and Advise) system to help achieve sustainability
- 8) **Market-led, Private Sector Driven**
  - a) Clear viable market availability and customer competitiveness in target markets
  - b) Forward sales contracts when possible
  - c) All support in BDCs to sustainable, commercial, private, legal entities
  - d) No funds to government-controlled entities
- 9) **Rapid Delivery of Results**
  - a) “Arranque Rápido” activities:
    - i) Expansion of successful CAPP projects
    - ii) Development of selected commercial forestry projects from Colombia Forestal
    - iii) Assessment of CEB SME proposals
    - iv) Continued development of TCB policy and institutional reform work
  - b) Early corridor (Commercial Forestry) and sub-sector (Agribusiness) comparative opportunity and competitiveness assessments
  - c) Early establishment of cross-program cooperation activities (e.g., with ADAM)
  - d) Early coordination with Accion Social and other GoC AD-related departments
- 10) **Measures of Success**
  - a) Agreed USAID indicators
  - b) MIDAS cost per job and supported hectare
  - c) Extent of leveraging of program resources; we can only achieve our aggressive results/indicators if we are able to utilize high leveraging (low MIDAS contribution percentage of total project cost)
  - d) Sustainability of supported projects
- 11) **Highly Integrated Project Support**
  - a) Financial “reimbursement” support for the agreed set of activities needed to successfully launch sustainable projects, for reduced up-front risk and reduced project costs in the early years
  - b) Support costs that are difficult to include in debt
  - c) Professional support for business plan development:
    - i) Help to arrange forward sales contracts
    - ii) Help to identify and secure loans
    - iii) Help with costing and sourcing of needed services
    - iv) Help to analyze proposed project strengths, weaknesses and sustainability
  - d) Examples of support that can be reimbursed, usually by a single support instrument (grant or sub-contract)
    - i) Loan approval and guarantee fees
    - ii) Training and Technical Assistance
    - iii) Management fees/costs
    - iv) Surveys, soil samples, design fees
    - v) Other one time/short term costs
    - vi) Preferably not fixed assets or working capital
- 12) **Comprehensive Security Program**
  - a) Detailed Security Manual
  - b) Full-time security specialist
  - c) Bogotá office protection
  - d) Field offices protection
  - e) Careful preparation for and monitoring of staff travel
  - f) Foreign visitor security
  - g) Assets security
  - h) Security level as a consideration for project support
  - i) Full communication with USAID/RSO regarding security issues
- 13) **Close Coordination**
  - a) Between the four components

- b) Between the components and the shared MIDAS support groups
- c) With ADAM in the four common corridors; e.g.
  - i) MIDAS support for business entities included in a municipalities' development plan
  - ii) ADAM obtaining municipality, department, etc., support for MIDAS projects
  - iii) Shared assessments, e.g., project financing sources and comparative sub-sector competitiveness
- d) With other USAID programs such as PILAS and the Last Mile Initiative
- e) With the GoC, e.g., Acción Social, and the AD programs of other donors
- 14) **Corridor-level Subcontractors in SME Component for Proposal Identification, Assessment & Project Supervision**
- 15) **Extensive Support of Commercial Associations as Project Proponents** - especially in Commercial Forestry and Agribusiness, to improve sustainability (requires substantial association development support)
- 16) **Private Sector Business Development within USAID and GoC Rules and Regulations**
  - a) The support money is a donation, but it does have many conditions
  - b) Avoid conflicts of interest
  - c) Open and transparent costing and sourcing of all direct and "reimbursed" services
  - d) Support instruments (grants and sub-contracts) will have many terms and conditions; ongoing support will be conditional on the recipient meeting both support instrument terms and business plan progress
- 17) **Effective Information and Community Outreach Program**
  - a) Selected public communications
  - b) Effective communications with USAID (success stories, Quarterly Reports, etc)
  - c) Effective communications with stakeholders (quarterly program review meetings with Acción Social, MoA, related projects, Congress, the business community, etc)
  - d) Keep partners informed (US and Colombian)
- 18) **Develop Sustainable Sources of Project Finance**
  - a) Develop market-based and sustainable project finance mechanisms that do not rely primarily on state-provided funds, subsidized rates or guarantees.

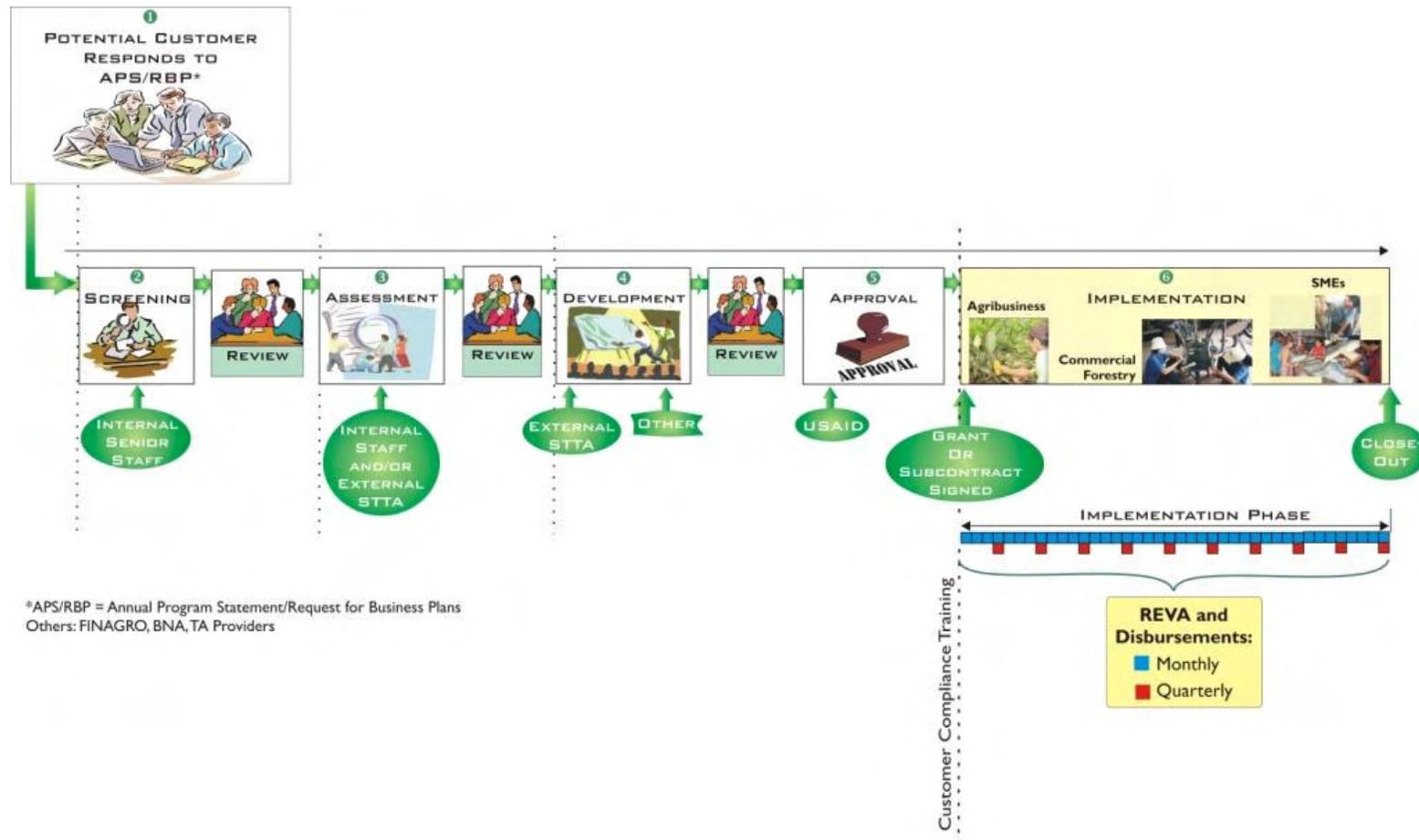
It is important to note that this Work Plan has been developed after extensive diagnosis of the opportunities and constraints affecting each of the components, and the overall Program. The opportunities and constraints relevant to each component are outlined in that component's Work Plan. Significant and in-depth discussions were held with potential partners and proponents during the proposal development process, and continued during Program start-up. Meetings, including extensive and in-depth discussions, have been held with each predecessor project's management teams. This has been facilitated by the fact that ARD and TSG are the managers of the CAPP and TCBP programs. However, several meetings have been held with management of the CED and PFFP projects to obtain lessons learned and successful techniques that can be applied to the work of the SME and Commercial Forestry components. The results of this work are reflected in this Work Plan. Similarly, extensive data and information on the six corridors was collected during proposal preparation and has been updated and enhanced after Program award. This information is also reflected in this Work Plan. In the process of developing the Work Plan, several diagnostic techniques were utilized, including discussions with USAID managers, GoC key informants and research on successful AD techniques utilized in other environments. The results of this work are also reflected in this Work Plan.

## 2.2. Business Proposal Development and Project Implementation Methodology

The following section presents an overview of the proposal development and project implementation methodology MIDAS will use. Each of the BDCs will adapt this general methodology to their specific component. These component-level methodologies are presented in each of the component Work Plans.

The MIDAS proposal development and project implementation methodology is illustrated in Figure 1 on the following page. Table 2: MIDAS- Proposal Development and Project Implementation Process outlines the specific steps involved in this process. An expanded version of this table, that includes the specific personnel responsible for each step, is included in the Component-level Work Plans. All three BDCs will utilize this basic MIDAS model to solicit and appraise proposals and monitor the implementation of approved projects. The SME component will adapt the model to their somewhat different needs, for example, they will use corridor-level sub-contractors to solicit and screen proposals and monitor project implementation. The Agribusiness and Commercial Forestry will closely follow the basic MIDAS model.

Figure 1: The MIDAS Business Development Model



**Table 2: MIDAS- Proposal Development and Project Implementation Process**

<b>SEQUENCE</b>	<b>STEP</b>
<b>GENERATION</b>	
1	Distribute Approved APS/RBP, including Terms of Reference (ToR) for Proposals
2	Marketing to Stimulate Submission of Concept Papers/Proposals in Response to the APS/RBP
<b>SCREENING</b>	
3	Receive and Log In Proposals/Concept Papers
4	Screen Proposals/Concept Papers
5	Verify Customer Reputation and Sources of Funds
6	Further Detail/Refine Proposal with Proponent, if Important Information is Missing
7	Select those Proposals with Good Potential using Established Screening Stage Criteria
<b>ASSESSMENT</b>	
8	*Assign Proposal Coordinator and Establish Proposal Development Task Force
9	Establish and Implement a Proposal Assessment Plan
10	Implement Assessment Plan; use Screening Criteria to Guide the Process
11	Present Detailed Proposal Assessment to Review Committee
<b>DEVELOPMENT</b>	
12	*Complete Business Plans, Financial Structure and Financial Evaluation and Due Diligence. Environmental Review Approved by USAID; Implementation Plan, MIDAS Award Budget Draft and Agreement Parameters Established
13	Present Project Description, Award Budget and Recommendation to Review Committee
<b>APPROVAL</b>	
14	Obtain Final Approval from Review Committee
15	Obtain USAID Approval of Support Instrument
16	*Assign Project Coordinator and Project Task Team
17	Apply Final Verification Procedures for Absence of Illicit Crops; Clear all RC and USAID Contingencies
<b>IMPLEMENTATION</b>	
18	Sign Final Agreement with Proponent
19	Train Proponent how to Implement Agreement Terms and Conditions
20	Implement Agreement and Business Plan (including REVA System)
21	Implement Project M&E
22	Implement Information Flows (Success Stories, loan disbursements, etc.)
23	Third Party Audit if Support exceeds US\$300,000 in any 12 months, or \$500,000 in total
24	Complete End of Project Report (close out if required)

\*Assuming proposal successfully completes previous step

### 2.2.1. Proposal Development

The screening criteria used to determine if a proposal can be moved to the next stage will vary somewhat by component. However, there are common screening criteria for all BDC proposals. These are:

- Location is consistent with geographic targets;
- A significant number of new jobs will be created;
- Impact (indicators) can be accomplished within MIDAS timeframe;
- Has passed rigorous financial and economic feasibility analysis;
- Source of funds and proponent not connected to illicit activities;
- Land tenure or use rights are secure and legal;

- Project site will be free of illicit crops prior to agreement signing;
- Sustainability of project is reasonably assured;
- Vulnerable population is involved in project (IDPs, Afro-Colombians, Indigenous);
- A clear market and/or buyer has been established, preferably via a forward contract;
- There is some emphasis on sustainable exports;
- Geographic area has satisfactory security;
- Project risks identified and understood;
- Environmental and social sustainability assured;
- Local and regional authorities endorse the project;
- Proponent is a registered legal, private sector entity;
- Proponent has agreed to a separate audited account for any grant funds,
- Project has a viable business plan;
- Project has passed due diligence;
- Proponents have successful experience in the proposed or similar business;
- MIDAS' share of total costs less than 25%, i.e., funds will be leveraged from other sources;
- Needed sources of financing have been arranged;
- Potential project is located in a conflict zone; and
- Proponent is committed to implementing the project.

Component-specific screening criteria for each of the three proposal development stages are presented in each of the Component-level Work Plans.

During the screening, assessment and development process, those proposals that need to be improved or adjusted to meet the minimum MIDAS criteria will be returned to the proponents with a clear list of the missing requirements. When necessary, MIDAS technical staff, STTA or in the case of SMEs local sub-contractors, will provide technical assistance to develop a sound and “bankable” proposal. MIDAS Corridor-level staff will be the main contact point between proponents and MIDAS during proposal solicitation and development, and project implementation.

Proposal Review Committee meetings are where decision takes place regarding whether or not to pass a proposal on to the next step. The staff time and resources investment in a proposal increases significantly, as it moves through the three proposal development phases. Therefore, it is essential to weed out those proposals that do not appear to have the potential to move to the next step. Proposals anticipated to require a large (likely more than \$100,000) amount of MIDAS support will be presented to the Review Committee two times, at the end of Assessment and at the end of Development. The Component Manager will do a brief presentation of the proposal to the Review Committee using a standard proposal presentation format, focused on the most critical screening (sustainability and MIDAS objectives) criteria. Members of the Review Committee are the CoP, the DCoP, the Program Planning Manager, the Grants and Contracts Manager, the Project Financial Analysis Manager, the CTO and the relevant USAID Activity Manager. MIDAS specialists will participate in Review Committee meetings, and provide their professional opinions, but will not be voting members. The Component Manager presenting a proposal for consideration cannot vote on whether or not a proposal from his component is passed into the next stage. Committee members will have detailed score sheets based on agreed screening criteria to guide their decision-making. More detailed explanations of how this basic Review Committee methodology will be adapted for each component can be found in the Component-level Work Plans.

### **2.2.2. Project Implementation and REVA**

After all of the support needed, both from MIDAS and from third party sources such as banks and buyers, to implement a business plan is secured, a grant or sub-contract will be signed with the proponent for

MIDAS to provide financial support for an agreed set of activities essential to the success of the business plan. The project then begins implementation, and MIDAS will monitor its progress versus the activities outlined in the business plan. An important aspect of the monitoring done during implementation has to do with REVA.

REVA is a project monitoring and support tool developed and fine-tuned by CAPP to assist in the review and evaluation of project progress. REVA is an acronym for Review, Evaluate, Verify and Advise. REVA starts in the field with project implementers – typically standard grant recipients – completing a required, standardized report format. This includes several tables that compare project progress against performance indicators outlined in the business plan, and a brief explanation about principal accomplishments, challenges and solutions that help report readers understand how the project is progressing, and where it needs or will need help. The REVA report format complements the invoicing, environmental and indicator reports that are also required on a monthly basis.

This monthly reporting package is received and reviewed by the BDC Technical Teams, the Grants and Sub-Contracts Department and the Project Finance Specialists. Maximum duration within each department is three business days. Program Planning reviews M&E indicators and environmental reports to make sure they are consistent with the grantees obligations. MIDAS will adapt and use the CAPP on-line REVA and invoice approval system.

Technical team specialists will be responsible for reviewing and evaluating project progress as reported by the Grantee and established in the project's Business Plan and Award Budget. Because Component specialists will make frequent field visits, they will be able to understand in-depth the REVA technical and indicator reports, confirm that the reported information is accurate, and complement the Grantee's report with their own observations.

The Project Coordinator is responsible for writing a brief summary (up to one page) of the project's progress, including key issues to be resolved and actions required to keep the project on schedule. This one-page summary is then presented by the assigned Project Coordinator at the Component's REVA Committee meetings – held once per week, with one PC making a presentation of their projects each week. As a result, the REVA Committee learns about project progress on an ongoing basis. Additional information that may be presented at the REVA Committee includes site visit reports from Corridor Office personnel and from M&E and environmental professionals, project performance versus initial estimations (as detailed in MS Project reports), success stories and valuable lessons learned.

By using standardized Grantee Report Formats under REVA, the progress reporting process is streamlined, and the internal progress review process is facilitated. This will allow the MIDAS Team to anticipate and focus on potential areas of concern regarding project sustainability and accomplishment of objectives.

REVA is therefore a project-monitoring tool that can effectively evaluate project progress while warning of potential areas of concern. Due to its multi-faceted Team approach, involving Technical, M&E, Environment, Finance and Grants and Sub-contracts specialists, REVA allows the entire Team to focus their attention on achieving results and program goals and objectives via sustainable projects.

## **2.3. Policy and Institutional Reform Identification**

### **2.3.1. Competitiveness Related Economic Reforms**

The Policy Component will develop a macroeconomic and structural reform program designed to support GoC implementation of key macro/fiscal sectoral reforms that will enhance Colombian competitiveness, and lay the groundwork for placing the Colombian economy on a robust and equitable medium-term growth path. This reform program, if implemented by the GoC, will stimulate an increase in and improve the efficiency of private investment, expand employment opportunities and promote effective integration of the Colombian private sector into regional and international markets.

Macroeconomic and sectoral policy reform priorities under MIDAS will be informed by the organic linkages/dialogue already established with critical public and private sector partners at the national and sub-national levels, as reflected in the development of the 2006-8 USAID Strategy for Colombia, and the trade capacity building discussions that led up to the recently signed FTA. The GoC's Trade Capacity Building Strategy, Internal Agenda Assessment, 2019 Development Plan and the activities of the 27 municipal level internal agenda committees, established over the past 2 years with USAID assistance, will also drive the component's priorities.

Policy Component staff will play a key role in providing proactive feedback to the other components on the policy consistency and rationality of their strategies and implementation mechanisms. The Policy and BDC Components will help ensure that advocacy by MIDAS proponents is minimized for sector-specific incentives and benefits that distort investment decisions, establish a poor precedent for competitiveness-enhancement policies, and are discouraged by the GoC. The Policy Component will also work with the Information and Community Outreach Department to help effectively articulate, communicate and build consensus for critical policy reform issues that are consistent with GoC priorities.

### **2.3.2. Additional Sectoral Reforms**

The other important part of the Policy Component's agenda is to work on policy and institutional reform needs identified by the BDCs and ADAM and discussed jointly with the Policy Component. The BDCs and ADAM will develop, within the first six months of MIDAS, a system for identifying policy and institutional constraints to the effective and efficient development and implementation of significant new licit employment generating businesses, i.e., constraints to the success of the BDCs. The Policy component will then work with the GoC and the private sector to reform the most important policy and institutional constraints to more rapid and sustainable business expansion related to Alternative Development (AD) generation.

An active ongoing dialogue between the policy component and the BDCs will be maintained to ensure that any additional policy/institutional reform priorities which are identified by the BDC components will be effectively discussed, analyzed and appropriately addressed, and the project support strategies and initiatives pursued by the BDCs are consistent with rigorous financial and economic sustainability requirements and sound economic policy principles.

Details on Policy Component activities are presented in the component's Work Plan.

### 3. Proposed Organizational Structure

Figure 2 illustrates a streamlined version of the proposed MIDAS organization chart. The upper left corner of the organization chart shows the ARD Colombia departments shared by MIDAS and ADAM as described below.

As can be noted in the organization chart, Grants and Sub-contracts, Program Planning, Project Financial Analysis and the DCoP report to the CoP. All program implementation technical activities, including the BDCs, Technical Services and the Policy Component, report to the DCoP. Technical Support includes coordination of the Corridor Offices. Therefore, all proposal development and project implementation activities are unified under the DCoP. Policy reform activities based on needs identified by the BDCs can be effectively communicated to Policy since all report to the DCoP.

While the Corridor office managers report to Technical Services, the individuals resident in the Corridor offices working for each of the BDCs report directly to Component management of their respective component or department.

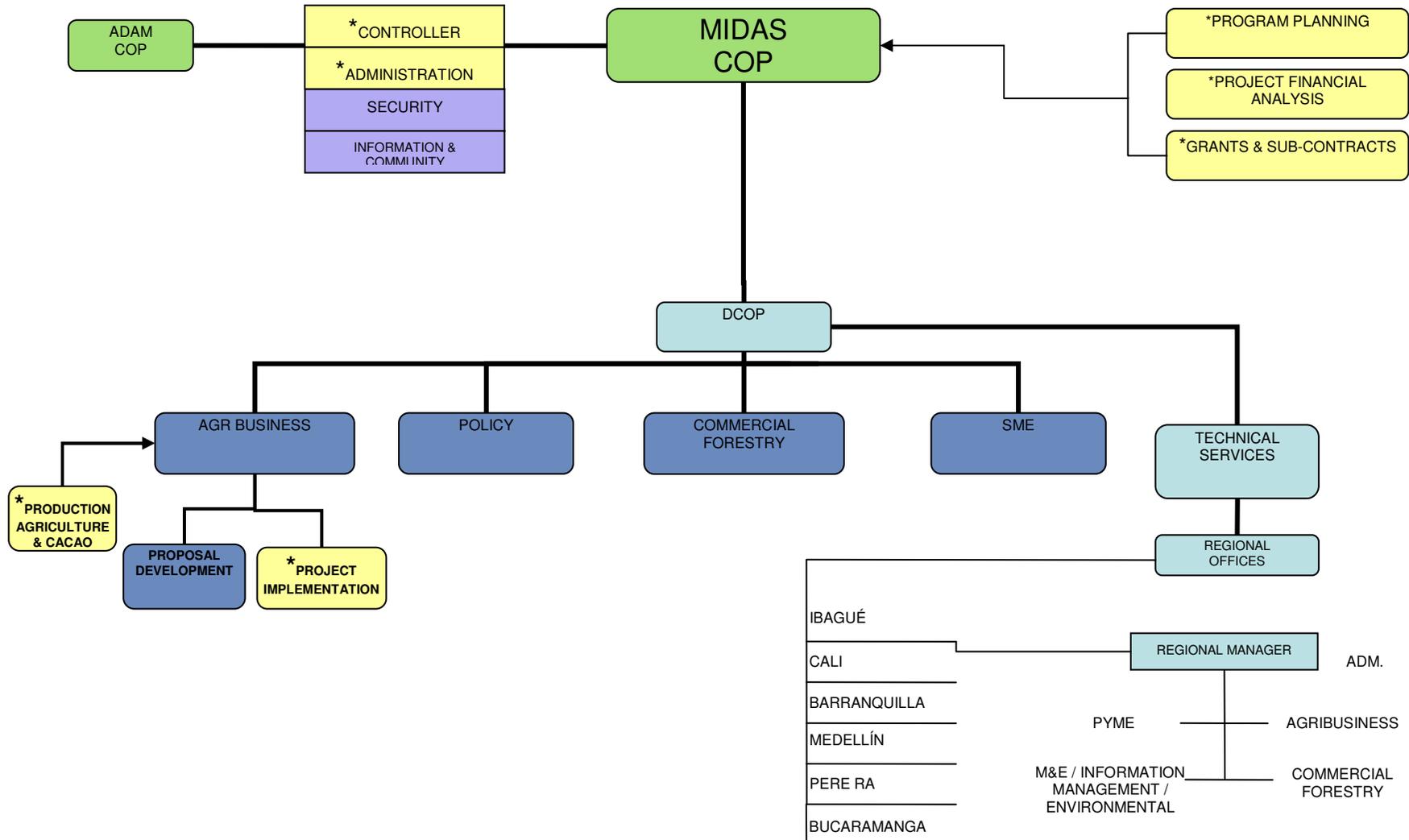
Overall program-level support, M&E reporting and Environmental Compliance is under Program Planning. Grants and Sub-contracts gains USAID approval for and monitors the utilization of grants and sub-contracts. Project Financial Analysis does the extensive financial and due diligence work required to develop and approve a proposal, and has an experienced but component business knowledgeable project financial analysis professional imbedded in each component. All three of these departments report to the CoP reflecting the program-level reporting and control related aspects of these functions.

The organization chart also shows the result of the merger of CAPP with MIDAS. After this merger, the current CAPP Agribusiness Department will become the Project Implementation unit of the Agribusiness Component. "New" MIDAS agribusiness staff will become the Proposal Development unit of the Agribusiness Component. This merger will enable the substantial experience and lessons learned of the CAPP Agribusiness staff to be effectively transferred to MIDAS, partially in the form of two senior CAPP Agribusiness managers playing an important role in the MIDAS Proposal Development unit. As MIDAS projects are signed, they will be transferred to the Project Implementation unit. In 2007, when CAPP projects start to be completed and the volume of MIDAS signed projects grows, some project implementation experts, former CAPP employees, may be transferred to the Project Implementation unit.

Other CAPP departments and individuals will become members of the appropriate ARD Colombia or MIDAS department. For example, CAPP administration and accounting personnel will join the ARD Colombia Administration and Controller departments, and CAPP Grants and Sub-contracts department staff will join the MIDAS Grants and Sub-contracts department. Current CAPP Finance staff will become the core of the MIDAS Project Financial Analysis Department.

Another important aspect of the MIDAS organization structure not clearly illustrated in the organization chart is the seconding of functional specialists to the components. For example, a grants and sub-contracts and a project financial analysis specialist will be seconded to each of the BDC components to support their specific support instrument development and project financial analysis needs, but will report to the respective program level department. This will enable component management to have component, business knowledgeable technical people within their component, yet the respective Program-level department will exercise control. This approach will also apply to the M&E, Environment and Information Management specialists seconded from Program Planning to the components and to each Corridor Office.

Figure 2: MIDAS Organization Chart



## **4. Coordination and Synergies**

### **4.1. Between the Bogotá and Corridor Offices and Between Components**

The Technical Services Department, under the direction of the DCoP, will support the integration of and coordination between MIDAS components to identify, develop and support technical synergies, optimize results and avoid overlaps between components. Proposal development opportunities will be shared between the Components so the component with the most relevant knowledge is responsible for proposal development and project implementation, but the specialized expertise of each component is provided to proposal development and project implementation. Technical Services will be responsible for assuring an ongoing flow of information between Components to avoid delays and work duplication. Periodic meetings involving all component management will be held to share Lessons Learned and experience regarding technical activities, in addition to the weekly Management Team Meeting.

Technical Services will manage the selection, development and coordination of Corridor Offices and will work closely with Component Managers to establish a plan for sharing offices with ADAM and PILAS. Technical Services will supervise the work and performance of Corridor Office Managers, and facilitate an on-line communications network between corridor offices, and between Bogotá and the Corridor offices. It will also be responsible for the physical facilities and technical support staff of those Corridor Offices for which MIDAS is responsible. Technical Support will carefully coordinate with the Components and other USAID programs when staffing the Corridor Offices to optimize timing, human resource utilization, facilities, administration and logistics, and avoid overlapping and duplication.

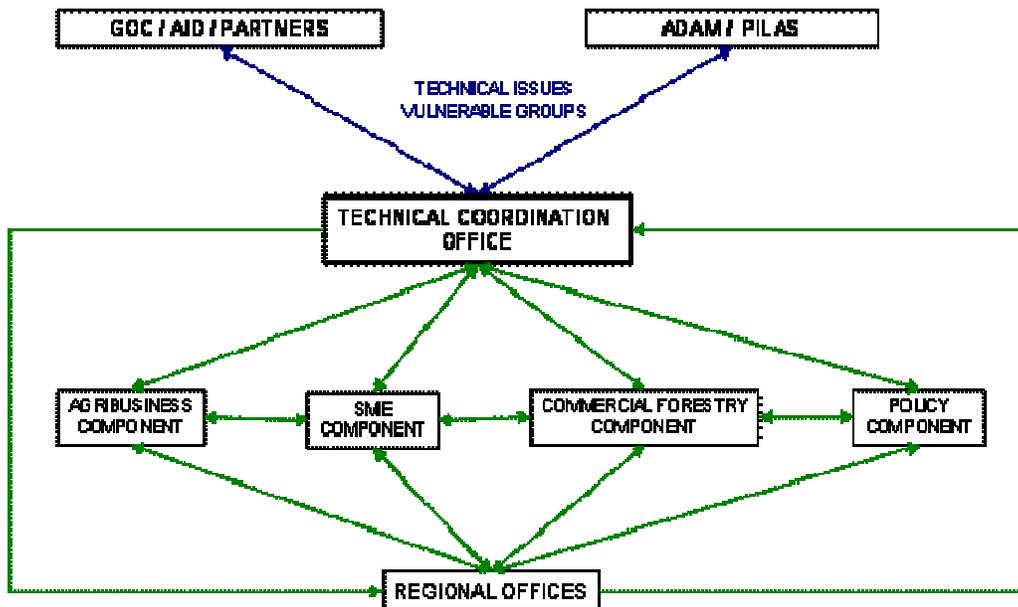
The Technical Services Department, specifically the Project Finance Sourcing Specialist, in coordination with the BDCs, will a) provide information to the Policy Component that identifies unmet financing needs from current or potential sources, b) identify project finance alternatives including those that are sustainable, market-based funding mechanisms, c) introduce new funding sources to proponents once they become available, d) develop an outreach strategy that motivates project proponents to use alternative (i.e., sustainable, market-based) sources of project finance once they are available, and e) facilitate, in conjunction with the Policy Component, expanded credit opportunities for projects supported by MIDAS, through an ongoing dialogue with the private banking system designed to bring favorable changes in the credit policies of those banks toward the types of businesses MIDAS supports.

Technical information dissemination will be coordinated by the ARD Information and Community Outreach Department, as appropriate.

### **4.2. Technical Information Management Methodology**

The following graphic illustrates the flow and management of technical information throughout the MIDAS organization.

Figure 3



#### 4.2.1. Integrating ARD Colombia Programs

An important principle for ARD implementation of the ADAM, MIDAS and CAPP programs is efficiency of operations. As illustrated in the MIDAS organization chart shown in Figure 2, there are four departments shared by MIDAS and ADAM - Controller, Security, Administration, and Information and Community Outreach. This sharing is to enable a) hiring the best professionals to manage these departments, b) the development and utilization of very effective standard policies and procedures, and c) cost efficiencies. It is anticipated that the MIDAS CoP will be responsible for these shared departments.

In addition, there will be permanent Task Forces for Grants and Sub-contracts, M&E, and Vulnerable Groups. These Permanent Task Forces will be composed of the individuals responsible for the each technical area from MIDAS and ADAM. These permanent Task Forces will work together to assure uniformity of policies and procedures in their technical area, efficiency of operations and optimal contributions from members varying experience and expertise. PILAS will be invited to join a Vulnerable Groups Permanent Task Force. The ADAM CoP will chair these Permanent Task Forces. Careful consideration will be given early in the program to a MIDAS and ADAM shared GIS and related mapping function at MIDAS.

#### 4.2.2. Physical and Human Resource Coordination

Technical Services will work with MIDAS Components Managers as well as ADAM and PILAS managers to establish a plan for sharing Corridor Offices and optimizing corridor-level human and physical resources. They will also identify synergies and avoid overlap and duplication of human resources and facilities between the three Programs at local and regional levels, and with related GoC programs.

#### 4.2.3. **Technical Coordination between MIDAS other USAID Programs and the GoC**

Technical Services will assure the full technical coordination of Corridor Offices activities with other USAID and GoC Programs. This means careful coordination between MIDAS and other AD Programs such as ADAM, PILAS, FUPAD, OIM, IDP, and with Acción Social. This coordination will include technical activities related to proponent proposal solicitation and development, project implementation and relations with local government entities, especially ADAM-supported municipalities.

MIDAS representatives will attend meetings such as “Comités Consultivos” as part of the methodology for identifying and supporting synergies between Programs and with the GoC.

Quarterly Program Review Meetings including Acción Social, the Ministry of Agriculture, USAID and occasionally other important participants such as Finagro, Ministry of Commerce, the Ministry of Planning, and the Ministry of Finance will be coordinated to communicate the progress and challenges MIDAS is addressing, and to solicit stakeholder support for quality proposal solicitation, and help to resolve proposal development and project implementation challenges/*contratiempos*.

Technical Services will be responsible for optimizing technical coordination with local and regional authorities, including local and municipal governments, to obtain their support for achieving the objectives of projects in their jurisdictions.

Technical Services will also work with ADAM managers to develop a clear understanding of actual and potential customers to be solicited, supported or transferred from ADAM to MIDAS in the four common Corridors, and how ADAM and MIDAS will work together to support municipal economic development plans.

Each MIDAS component has at least one GoC counterpart they will liaise with, under the stewardship of USAID. From time to time component management and the relevant USAID Activity Manager will meet with their counterparts and discuss plans, progress and constraints, as well as how the component and their counterparts can coordinate and cooperate for mutual benefit. Due to the nature of their work, the Policy Component will have an ongoing dialogue with GoC counterparts related to the policy reforms they are working on. Contact between the BDCs and their counterparts will be less frequent, but will be scheduled on a regular basis, in conjunction with USAID.

### **5. Public/Private Alliances**

The development and successful implementation of public/private alliances is at the heart of the MIDAS implementation methodology. Nearly all MIDAS activities involve alliances between public entities, especially USAID, and private entities such as MIDAS proponents.

Specific examples of the types of public/private alliances that MIDAS will be developing and implementing are described in the following paragraphs.

The BDCs will be leveraging public (USAID) funds with private sector funds at a projected average private sector share of 80% of total investment when developing and implementing private sector businesses. This is well beyond the general 50:50 guideline for Global Development Alliance (GDA)-type projects. MIDAS anticipates stimulating more than \$342 million in private sector investment and \$15.4 million in public sector investment for \$70 million in USAID support.

Another way MIDAS will stimulate public/private alliances is involving local, departmental and national entities in proposal development and project technical and financial support. For all agribusiness and commercial forestry projects, local and regional government entities will be invited to participate in some way, preferably by providing some investment in kind, e.g. land or buildings, or in working capital. Local government entities will also be asked to help assure local community support for projects. MIDAS will work closely with ADAM to involve the communities ADAM is working with in MIDAS projects.

The MIDAS Linkages Specialist will determine which companies GDA/Washington has alliances with, and if and how these companies can participate in MIDAS projects. We plan for the World Cocoa Foundation to continue to be an active participant in MIDAS cacao projects, as they have been with CAPP. If other U.S. firms with GDA agreements have the potential to be involved in MIDAS projects they will be contacted by the MIDAS STA/M to pursue the possibility of a project-specific alliance.

A type of public/private alliance will be stimulated by involving Acción Social, the Ministry of Agriculture and other relevant GoC entities in the quarterly proposal development and project implementation review sessions. These sessions will present an opportunity for important Colombian public entities to understand private sector business development and help resolve challenges to the smooth forward movement of proposals and projects. This may also stimulate increased involvement of public sector entities in private sector development activities.

Public private alliances will also be stimulated by the Policy Component, including the dialogue between Civil Society and the GoC on competitiveness issues through CONFECAMARAS, alliances developed to implement the Last Mile Initiative, the SPS programs and pilot projects, and the ACOPI-ASOBANCARIA-GoC alliance to improve SME financing.

## **6. Vulnerable Groups Plan**

The Technical Services Department will determine specific geographic areas where MIDAS, ADAM and PILAS can work together to identify and involve vulnerable groups in projects. However, this work will be coordinated to distinguish each Program's responsibilities. We will focus on integrating vulnerable groups into proposal development, and will favor proposals that include their significant participation. This will be accomplished in coordination with Component Managers. We will promote the participation of vulnerable groups in the implementation of MIDAS projects by encouraging their inclusion as suppliers of services to projects being implemented. An important MIDAS objective is to integrate vulnerable groups into value chains being supported by MIDAS or ADAM.

Ongoing dialogue between Policy and the BDCs will be implemented to determine if and how policy and institutional reform could significantly improve the ability of vulnerable groups to participate in AD activities.

We will work with PILAS and OIM to identify how Lessons Learned from their work with vulnerable groups can be applied to MIDAS activities in corridors where IDP programs are not present. Periodic meetings with ADAM, PILAS, Acción Social and other AD-related and vulnerable groups programs and entities will take place to identify and coordinate activities of potential benefit to vulnerable groups.

We will closely track GoC and USG policies and regulations regarding "*Desmovilizados*" to determine if and when they can be included in MIDAS activities.

## 7. M&E and Environmental Programs

### 7.1. M&E Program

M&E responds to five main needs:

Analysis and reporting of MIDAS' contribution to achievement of the Mission's SOs;

Supervision of the Program's performance and the accomplishment of indicators by component;

Support internal and external coordination of AD development activities by sharing indicator performance information with components and other programs;

Prepare timely information to support project implementation decision making and to help resolve problems; and

Allow USAID/Colombia to monitor the performance of their programs and determine future budgetary needs.

#### Indicators

M&E indicators express and summarize program goals. There are three types: USAID indicators, internal program performance indicators (Key Indicators) and REVA indicators. Regarding the first type, USAID provides a list of ACI indicators, and every program is required to select from that list those indicators that respond to its particular activities and goals. Taking into account the wide range of MIDAS activities, twelve ACI indicators are relevant to the Program, reporting on Agribusiness, SME and Commercial Forestry goals. These indicators will measure the social and economical impact of MIDAS, and its success at investing USAID resources.

The Policy component has identified performance indicators that are described and explained in Appendix 1 - Performance Management Plan. ACI indicators by component are shown in Table 1, Section 2.2

#### Methodology

The M&E methodology will vary somewhat for each component based on the type of projects they will be supporting. The Performance Management Plan (PMP), attached as Appendix 1, contains detailed information about M&E procedures, including the Verification Protocol.

#### Tools

Since all M&E activities are related to information management, having adequate and sufficient mechanisms to collect, handle and store information is very important. Among these tools is the Monitoring, Evaluation, Reporting and Analysis (MERA) system, designed to facilitate the process of collecting and managing information, and then make it available for internal and external use.

To make this system available in the short term, CAPP's system will be used as a beta version and changes and adjustments made as needed. As currently conceived, the MERA System is a software application, created with a data base engine (SQL Server) that uses Internet Explorer as its platform. With the appropriate security levels defined, this system will be used as a management and consulting tool, in which timely information regarding projects, proponents, indicators, environmental accomplishments, goal compliance or performance will be available for each project.

Besides the MERA System, during the course of the program, other tools will be developed and used. These include a) the "Eureka" system, designed in Access to record and track monthly reports from the grantees; b) an invoice tracking system, designed in Access, to track information on incoming invoices; Microsoft Project to schedule project visits and training; and c) GIS and GPS to store and manage geographic information obtained through field visits.

It is very important that these tools comply with established guidelines. Specifically, a) any tool should respond to an information need, taking into account user characteristics; b) tools should be versatile and adjustable; c) when designing new tools or adapting old ones it is very important to always take into account past experience; d) tools should always build up a coherent and convergent system, and development should involve the IT area; redundant or divergent applications should be avoided (from a technical point of view, as well a monitoring point of view); and e) tools should comply with security standards, always seeking to preserve data integrity.

Additionally, if the need is verified, a database will be created and shared with other USAID programs to manage project and proponent information. If this idea is accepted, MIDAS will have online information on projects that may be implemented by other programs near our own projects. This would facilitate coordination, avoid repeated information, benefit recipients and enhance the impact of projects. The objective is to create synergies between programs and avoid wasted efforts on repeated or similar proponent projects.

*Note: For detailed information about M&E procedures refer to the MIDAS Performance Management Plan presented in Appendix 2.*

## **7.2. Environmental Program**

### Initial Conditions

Two of USAID's main objectives are to protect the environment and promote sustainable development. Therefore, any USAID disbursement requires an environmental approval. This is a condition established by the Congress of the United States and contained in Regulation 216. MIDAS, a USAID funded activity, is obliged to include environmental considerations in proposal development and project implementation, follow established environmental procedures, and impose this requisite to all of its activities and projects.

To accomplish its environmental obligations, USAID Colombia prepared for the Latin America Bureau a Programmatic Environmental Assessment to cover all its activities. This document allowed most projects, depending on their potential impact, to receive an environmental approval, by the Mission Environmental Officer (MEO), preparing only an Environmental Review and without having to submit an individual Environmental Assessment. This situation saved a significant amount of project development time because a Review involves a much shorter procedure than an Assessment. Therefore, as things currently stand, most of the potential projects to be partially funded by MIDAS will have to prepare and submit an Environmental Review. A smaller group of activities and projects with considerably higher impacts will have to undergo an Environmental Assessment or an Impact Environmental Assessment. In addition, some other MIDAS activities, such as market and competitiveness assessments, will be exempted of any environmental procedures due to their classification as categorically excluded activities.

### Environmental Review

Typically, the essential documents that need to be prepared before a proponent can sign a grant are the Environmental Review and the Environmental Report Form. The Environmental Review is a description of the project, of all the environmental impacts that could be incurred when implementing the project, and of all the measures designed to avoid or diminish any negative impacts. The Review is prepared by project personnel, with the support of the Environmental Team, using Activity Guides provided by USAID and/or the Environmental Assessments already approved for the specific activity. Usually this can take, from beginning to approval, between one and two months depending on the technical expertise of the personnel, the information available and the time invested. The Environmental Report Form is a template created

from the approved Review via which the proponent or grantee has to report the implementation of environmental measures on a monthly basis. Completing this Form is a requirement in the Grant or Sub-contract signed with the proponent, and mandates the delivery of periodic reports during the course of the project implementation.

Typically, Reviews will be prepared by Agribusiness and Commercial Forestry project proponents, and some SME projects (except those anticipated to have a high environmental impact). Proposals that already have an Environmental Assessment prepared by Colombia Forestal do not require a new Assessment. Typical forestry activities expected to submit a Review would be exploitation plans and lumber transformation centers. Commercial Forestry proposals can use Environmental Assessment approved for similar projects as a base for preparing their Review.

### Environmental Assessments

The Environmental Assessment (and, more even so, an Impact Environmental Assessment), is of much higher complexity (compared to a Review) and requires a much longer time to complete. Only a consultant trained on Regulation 216 can prepare an Assessment. USAID Colombia has issued a short list of such authorized Assessment consultants. Before hiring such a specialist, MIDAS has to prepare the terms of reference for USAID Washington approval, a process that can take one or two months. After receiving the approval, MIDAS has to begin the contracting paperwork, receive bids, select the most appropriate candidate, and prepare and sign the contract. This can take another month. Then, the development of the Assessment begins, which can take between one and two months, followed by one or several revisions from MIDAS and amendments by the consultant. Once MIDAS agrees with the contents of the Assessment, it is submitted to USAID Colombia for a process of approval that involves USAID/Washington. In conclusion, the process can take an average of six to eight months.

To shorten this process, MIDAS plans to sign a Time and Materials contract with an authorized Assessment consultant to reduce the contracting period. However, it is of the utmost importance that Proposal Coordinators take into account this timing so they can make the necessary provisions and plan proposal development timing accordingly. Assessments can be expected from high potential environmental impact projects coming from the Agribusiness and Commercial Forestry Components.

### Management Plans

An approved Environmental Assessment from Colombia Forestal covers some of the proposals being developed by the Commercial Forestry Component. In these cases, a Management Plan will suffice to begin project implementation. The proponent will prepare this Plan; its main objective, like the Review, is to describe proposed measures meant to guarantee sustainable development of the forest and reduce or avoid negative environmental impacts caused by project implementation. This Plan, in addition to requiring USAID approval given by the Regional Environmental Advisor (REA), will probably need approval from a public entity like a "Corporación Autónoma Regional."

### Pesticide Evaluation Report and Safe Use Action Plan - PERSUAP

One of the most potentially damaging actions carried out in projects that involve an agricultural component is the use of pesticides. That is why USAID gives especial attention to this issue. The current guideline that rules pesticide use stipulates that no product can be used in a USAID funded project unless it is explicitly approved through a previously approved PERSUAP (Pesticide Evaluation Report and Safer Use Action Plan). At present, CAPP has an approved PERSUAP that was prepared for their supported crops. Seeking the most viable and prompt route, and taking into account that this document is already approved for all MIDAS projects supporting the same crops as CAPP, the Program Planning team will utilize the following procedure:

- Hire a pesticide specialist to include new crops, new products and forest plantations (this specialist may be the same one that prepared the previous PERSUAP);
- Request a PERSUAP amendment or addition to have a final document suited to MIDAS' specific needs; and
- Request from every project an Environmental Review for Pesticides, to be approved by the MEO.

### Implementing

Implementing environmental measures, including Reviews, Assessments and Plans, is a responsibility of the proponent. That is why MIDAS has made provisions to offer relevant technical training to project representatives, seeking to enhance their capability to comply with the environmental protection commitments required by USAID.

### Monitoring

After MIDAS signs the grant or sub-contract, the follow-up work begins. For a signed project, the Environmental team will prepare a Monitoring Program that contemplates one field visit, at least every three months, during the life of the project. Additionally, the proponent must submit, on a monthly basis, an Environmental Report, using the template prepared by the Team and provided for this purpose. The Report must be submitted in a soft and a hard copy, and the application called "Eureka" will be used to track report submission and approval.

Field visits will observe the following conditions.

- Personnel based in the regional offices will carry out these visits;
- When a project covers a large number of locations scattered over a wide geographic area (for instance, an agribusiness project that includes 27 farms), a statistically valid sample will be randomly selected;
- For SME projects a visit will be made to the industrial plant or project location; and
- Field visits will collect geographical information (GPS), visual information (photographs) and verbal information (via questionnaires). They will also collect M&E information (to understand fine logistics, see the PMP document).

Regional specialists will summarize field visits in a written report. Any failure to comply with contractual agreements found through field visit reports (produced by MIDAS personnel) or through monthly reports (produced by project personnel) may entail disciplinary action that, in worst-case scenarios, may cause project invoices to be held or in extreme cases project closure.

The monthly Report submitted by the Proponent is entered into the MERA system as well as the most relevant information from the field visit reports. This information will be available in the MIDAS internal web site.

MIDAS will work with USAID to design any additional monitoring systems required to fulfill the Mission's environmental objectives.

### Work Team

To manage all environmental issues pertaining to MIDAS projects, and to give support to other departments and components, a team of specialists has been organized under the Program Planning Manager. This team is made up of an Environmental Coordinator, an M&E and Environment Information Coordinator, four Specialists for the components (one for each: SME, Policy, Agribusiness and Commercial Forestry) responsible for Environmental, M&E and Management Information, and one similar Specialist for each Corridor Office. This group of professionals will have the double responsibility

of producing the necessary environmental documents required to make a project operational (pass into Implementation) and assume the tasks necessary for an adequate follow-up program.

## **8. Colombianization and Legacy Institutions**

The objective of the MIDAS Colombianization program is to significantly enhance the interest and capacity of Colombian nationals to do Alternative Development work after MIDAS is finished, and to help build consensus towards critical market-oriented reforms that improve the overall competitiveness and growth path of the Colombian economy as a result of Policy Component activities. We will accomplish these objectives in several ways.

MIDAS staff will be dominantly Colombian, including senior managers. Of the total MIDAS staff, 95% is Colombian. Senior management staff is 78% Colombian. The Policy Component will make dominant use of Colombians for policy reform activities and will therefore enhance their experience and ability to perform policy and institution reform activities in the long run. By the staff and management being predominately Colombian, significant AD enthusiasm and technology will be transferred to people that can use those skills to continue AD-related work long after MIDAS. The contacts and skills developed by working with MIDAS for up to five years will be a very valuable AD-related asset post-MIDAS.

MIDAS will also develop Colombian private sector entities that can continue to do AD-related work well after MIDAS. We will accomplish this by optimizing the use of Colombian entities during proposal development and project implementation to enhance their capacity to continue AD-related business development post-MIDAS. This will involve competing, selecting and supporting services suppliers to provide effective business development services to MIDAS customers. This will increase the demand for such services and provide these BDS suppliers with valuable experience so they can continue to operate post-MIDAS. Table 3 below lists the MIDAS local partners that are very likely to be participants in the development of MIDAS proposals and implementation of MIDAS projects, and thereby have their experience and capacity expanded.

In addition, it is important to note that through the implementation of the pilot programs planned by the Policy Component, an important number of private institutions will be significantly strengthened. Pilot programs in the financial services Policy subcomponent will work with formal and informal institutions to extend their reach to traditionally underserved areas and populations. At the end of the Program, these institutions are expected to become sustainable alternative sources of funding not only for USAID projects, but also for the communities in MIDAS and ADAM corridors. Similarly, Policy pilot projects that call for the implementation of international standards in the processing of meat and meat products, milk and dairy products, and processed foods, and the adoption of international best practices in pesticides application and management and other agricultural practices will not only benefit an important number of firms, producers and peasants but also will create a “knowledge” group able to transfer their know-how in a multiplied and sustainable way. These programs will also train an important number of local consultants in the implementation of internationally required technical norms and standards such as WRAP and HACCP, to ensure that they can further expand knowledge and applications specific to the operation of the businesses in the participating sectors. Thus, the domestic capacity to replicate and more broadly apply the specific technical knowledge necessary to enhance competitiveness shall be built and will operate without requiring further technical cooperation assistance.

At the GoC level, the public institutional strengthening activities to be implemented by the Policy Component through supported technical assistance and training programs will help government agencies improve their capability to accomplish their mission. For example, technical assistance to SuperFinanciera, Super de Industria y Comercio, Ministry of Social Protection, DIAN, Ministry of

Environment, SENA, INVIMA, and ICA will not only introduce organizational transformations and new methodologies, but will also include intensive training of government personnel to ensure that they can effectively carry out new and improved procedures. By the end of the program, a number of government agencies should have transformed their traditional way of overseeing markets into risk-based supervision methodologies and standardized audit methodologies that improve compliance and reduce red tape and transaction costs.

**Table 3: Local Partners by Component and Their Anticipated Responsibilities**

Partner (Type)	MIDAS Relevant Strengths	Initial Responsibilities
<b>SME</b>		
Emerging Markets Group (US-S)	SME development, SME finance, competitiveness, value-chain strengthening, business development services, program management	Overall component management, assistance to banks in developing products for SMEs, provision of business development services
ARD (US-P)	CAPP & Colombia program management experience	Monitoring grants and providing training to recipients
JE Austin (US-S)	Competitiveness & marketing	Competitiveness enhancement assessment methodology
IESC (US-S)	Market access and trade linkages	Help grant recipients determine export potential and finding export markets
OAS Trust (US-S)	Strong Colombian network and outreach	Provide link to <i>Agenda Interna</i> and design outreach
Deloitte Colombia (C-S)	A well-known and respected accounting auditing, and consulting firm. Provide professional depth and use well-known standards and methodologies.	Will assist by training consultants who help SMEs (or large firms at the head of value chains) in a variety of business development and operational topics, introducing and training SMEs to CADEX (or similar export certification program), training trainers, helping banks develop products for SMEs, monitoring grants, implementing information technology solutions for NGOs and associations
ASTAF (C-S)	Provides advice and consulting to SMEs throughout Colombia. Focuses on identifying operations improvement opportunities by gaining an in-depth knowledge of their business, objectives, goals and strategies, then provides efficient solutions that will guarantee sales growth, generate employment and provide sectoral leadership while maximizing economic and social benefits.	Identification of potential projects; Project Evaluation and Selection; Training and Instruction; Supporting the Implementation of Approved Business Plans; Developing of Export Plans; Access to The America's Warehouse. (Physical and virtual space, to facilitate the entrance of SMEs to the US market.); Access to the "Empresa y Negocios" journal. (To market the SME component.) Assistance to the Policy Component; SME Component Planning Participation.
ACOPI (C-R)	Since 1951, national organization representing micro- and SMEs	Its status as the official SME association, responsive to members' needs and expectations, will be validated and reinforced by MIDAS via a specific institutional strengthening program. Will be called on to cooperate delivering project activities (e.g., disseminating and collecting information, facilitating resources and tools, organizing events, auditing small grants program, etc.). Other roles for ACOPI include lobby group, information center, coordination of SME support for members; support in accessing programs and projects; e-commerce portal.
Confecámaras (C-R)	Umbrella organization to unite the Chambers of Commerce in Colombia	Will be an important partner to reach SMEs as well as a bridge with the CED project activities. Areas of cooperation would include use of the Entrepreneurial Development Centers, (launched under an IDB project) and informing/mobilizing their members in relationship to MIDAS programs.

Partner (Type)	MIDAS Relevant Strengths	Initial Responsibilities
FUNDES (C-R)	An NGO dedicated to SMEs and working in 10 Latin American countries for 20 years. Three traditional areas of work: access to financing; access to know-how (consulting and entrepreneurship training), and improvement of entrepreneurial solutions.	Provide assistance in understanding the regional sector and to deliver activities such as joint-venture promotion programs (have been running them for two years ); programs to develop companies supply and distribution networks in corridors; foster cooperative models; organize and run business circles, trade shows, SME networks; support small cities in simplifying procedures to register new business; improve entrepreneurship using their existing training packages (modular, Internet-run SME courses for management); ISO 9000 (have already accompanied 120 SMEs); E-commerce
Universidad de los Andes, Strategy and Competitiveness Center (C-R)	A think tank within a prestigious university that develops research, training, and consulting activities in enterprise strategy, competitiveness, and FTAs.	Competitiveness assessments, M&E, business plans, and risk management. Potential institutional and policy constraints to MIDAS success and mitigating strategies, etc.
ProExport COLOMBIA (C-R)	The entity charged with the commercial promotion of non-traditional exports. ProExport Colombia provides comprehensive assistance to Colombian entrepreneurs willing to export. It has an extensive network of national and international offices.	Provide export information, organize events, actively participate in project-sponsored workshops, and deliver export related training in key subjects such as trade requirements and barriers. MIDAS project could support strengthening ProExport capabilities and strategy, particularly with respect to acting as liaison in the U.S.
Fondo Nacional de Garantías (C-R)	A financial public-private corporation represented by regional agents in nine regions that provides guarantees to SME loans.	Developing financial strategies to maximize SMEs' access to credit.
Bancoldex (Foreign Trade Bank of Colombia) (C-R)	Public-private bank, related to the Ministry of Commerce, Industry and Tourism that through selected financial institutions provides financial services to enterprises related to exports.	Support SME export operations Developing new approaches for SMEs
Bancolombia (C-R)	The main financial institution targeting SMEs	Partner in developing and implementing strategies to maximize SMEs access to credit
Fundación Compartir/ Financiera Compartir S.A.; Comercializadora Internacional Compartir (C-R)	An NGO focused on promoting and executing public interest programs related to housing, micro-enterprise, public spaces and education.	Providing support to the grant program.
Corporación Innovar (C-R)	A public-private non-profit corporation supporting the development of innovative projects such as incubators, project formulation, training, consulting, support in access financing; etc.	Mobilize MIDAS initiatives A possible channel for small-grants
FENALCO (Merchants National Federation) (C-R)	A 60-year old organization representing trading businesses	A two-way communication channel: to disseminate information concerning the project; and to assist in understanding entrepreneurs' views and expectations related to project issues
CINSET (Technological and Socio Economic Research Centre) (C-R)	An NGO serving micro- and SMEs with focus on applied research and solutions in environmental subjects.	Provide assistance on environmental issues such as environmental assessments/ audits of MIDAS initiatives; support in development/ implementation of environmentally acceptable production standards for SME. Support in disseminating, training/adoption of environmental requirements for exports.
Universidad Externado de Colombia (C-R)	A well-known university, with a special focus on SMEs	Will assist in developing, submitting and implementing specific initiatives using a hands-on approach to teaching SME management

<b>Partner (Type)</b>	<b>MIDAS Relevant Strengths</b>	<b>Initial Responsibilities</b>
<b>Agribusiness</b>		
ARD (US-P)	CAPP & Colombia program management experience	Overall component management
JE Austin (US-S)	Competitiveness & marketing, especially for export	Competitiveness enhancement assessment methodology & competitiveness assessment of larger export projects
IESC (US-S)	US market access	Assistance with US marketing
World Cocoa Foundation (US-R)	Major cocoa buyers	Assistance in meeting international cocoa market requirements; preferred access to major cocoa buyers
University de los Andes (C-S)	Competitiveness Center and Business Training	Comparative subsector competitiveness by corridor
IICA (C-S)	Developing and implementing smaller projects in cooperation with the Colombian MARD	Developing and implementing smaller projects in Corridors 3 and 4
Compartamos (C-S)	Partnership of "Who's Who" in Colombian private sector; alternative finance sourcing; social investing	Involving large agribusinesses on projects, especially post-harvest & developing alternative sources of finance for projects
SAC (C-S)	Umbrella association of 51 producer associations	Operator development, links with subsector associations, policy reform advocacy
C. I. CAACAO (C-S)	Cocoa exporter; cocoa production, and processing training	Forward cocoa contracts & cocoa Farmer Training Schools
INCUAGRO (C-R)	Venture capital-type development of smaller projects	Developing & Implementing Smaller Projects in Corridors 1 & 2
FUPAD (C-R)	Developing smaller asociativo projects with IDPs	Coordination with current IDP program & possible new program; advice on proposals involving IDPs
CCI (C-R)	Gov.-linked sector development organization	Database access & GOC linkages
IOM (C-P)	Leading international firm Supporting IDPs	Coordination with current & possible IDP programs; assistance to assess and develop proposals involving IDPs; subcontractor for project implementation services involving IDPs
<b>Commercial Forestry</b>		
ARD (US-P)	<b>Global experience implementing forestry projects</b>	<b>Overall component management</b>
Virginia Tech University (US-S)	Leader in wood processing, and marketing. Extensive LAC experience	Primary technical support for wood processing and marketing and technical aspects of plantation development. Lead wood products market assessment.
Rainforest Alliance (US-S)	Key global organization for forest certification and marketing of certified products.	Training in forest certification and international marketing of certified wood products.
OAS (US-S)	Wide forestry industry network in LAC member countries.	Technical support for natural forest management and development of forestry EIA.
IESC (US-S)	Network of U.S. forest industry experts.	US marketing of Colombia wood products
FEDEMADERA (C-R)	Dominant forestry and wood products association in Colombia	Communication between MIDAS and members. Assist with policy and financing needs assessment. Develop capability to provide services to MIDAS customers.
ASOCARS (C-R)	Association of regional environmental corporations responsible for regulating natural forest management.	Communication between MIDAS and forest communities and development/replication of community forestry model.

Partner (Type)	MIDAS Relevant Strengths	Initial Responsibilities
CADEFOR (C-R) Note: will establish legal presence in Colombia	Strong track record of assisting Bolivia's forestry industry to become more competitive.	Help develop community forestry model. Help improve primary wood processing and value-chain development. Provide services to customers under subcontract to MIDAS.
IICA (C-S)	Important role in agricultural development in LAC.	Facilitate development of industrial forest plantations.
Cartón de Colombia (Smurfit) (C-R)	Leading manufacturer of paper products in Colombia and owner of plantations.	Assist MIDAS team to transfer plantation technology to customers and develop forward purchase contracts with those customers.
Pizano SA (C-R)	Leading manufacturer of panel boards in Colombia	Assist MIDAS team to transfer plantation technology to customers and develop forward purchase contracts with those customers.
CEA (C-S)	Leading Colombian consulting firm in agriculture and forestry.	Provide services to customers under sub-contract to MIDAS.
<b>Policy</b>		
TSG (US-S)	Colombia Trade Capacity Building Support Program and Colombia policy reform experience	Overall policy component management. Advise on areas of tax, pensions, trade, and enabling environment
BearingPoint (US-S)	Strong capacity for financial, Fiscal reform, Customs Administration, and infrastructure regulation	Fiscal Reform, Financial sector reform, Customs, electricity and telecommunications markets
Centro de Estudios sobre Desarrollo Económico (CEDE) (Center for Economic Development Studies) (C-S)	Long tradition of providing analysis of Colombian economy and working with GoC in reform programs.	Provide economic analysis and empirical research and access to Universidad de los Andes resources. Assistance on Fiscal Reform, Financial Reform, Agriculture and Forestry Policy, Infrastructure Regulation and Land Market Access.
Fondo para la Acción Ambiental y la Niñez (FPAA) (Fund for Environmental Action and Childhood) (C-R)	Manages \$55 million fund to finance community-based environmental and childhood-development-focused projects	Good agricultural practices and green markets support.
IICA	Great knowledge of Colombian rural communities and agricultural markets.	Support in agriculture policy component.
Archila Abogados (C-S)	Knowledge of Colombian legal tradition and commercial legal environment	Assess investment and regulatory environment
CONFECAMARAS	The largest network of private sector organizations in Colombia with presence in all the country's departments and cities in Colombia	Support policy outreach and FTA, Agenda Interna seminars.

US = United States, C = Colombian, S = Subcontractor, R = Resource Group, P = Prime

At the private sector level, we will support the effective training of project proponents in technical and management skills. This will enhance their ability to sustainably manage their operations into the future. The SME component plans to support training for SME participants involved in projects, to identify viable new markets and improve the competitiveness of their companies. This will help these managers grow and sustain their operations.

The ability of supported producer and SME association management to handle their own operations will be enhanced through TA and training supported by project grants or sub-contracts. This will enhance the sustainability of supported associations well beyond the life of MIDAS.

All components will place special emphasis on identifying and developing legacy institutions, i.e., Colombian public and private entities that can continue successful AD work long after MIDAS. We will do this by consistently looking for Colombian entities we can involve in our activities in ways that enhance their capability to do sustainable and effective AD work. These entities may become involved in proposal development or project implementation as suppliers of services or as direct participants in projects. Examples of these types of institutions include ASTAF and NEST in the SME Component, Incuagro and the several producer and sub-sector associations in Agribusiness and ASOCARS in Commercial Forestry. Component Managers will be responsible for searching for and identifying Colombian entities that have the potential to effectively participate in MIDAS projects, and favor them when seeking services. Component Managers will also encourage the participation of these institutions as part of the proponent group involved in a project.

## **9. Security Program**

Even though national safety conditions have changed since 2001, some important issues still remain unsolved and should be handled carefully. Groups responsible for violent actions are hiding throughout the country, waiting for opportunities to hinder the course of productive activities and cause instability. To prevent possible undesired scenarios and protect employees, ARD contracted the services of a Risk Manager from the Honor & Laurel Group as a permanent consultant. The Risk Manager will control, lead and supervise all preventive and protective activities, and has developed a plan that supports the secure implementation of MIDAS.

The mission of Risk Management is to identify possible risks and manage them through plans, policies and actions that reduce the company's vulnerabilities, trying to guarantee its normal operation and stability.

The main objectives are:

- Manage security conditions for the staff during field visits;
- Train all employees on the "Security Handbook" and the company's security policies;
- Adjust and update the Emergency Plan;
- Manage the security area's technical and human resources;
- Advise the ADAM and MIDAS CoPs on security issues;
- Make available relevant security information for employees; and
- Audit everyday security conditions of displaced employees and high-level management living in Colombia.

In the interest of safety, all MIDAS and ADAM employees and consultants that need to travel to the corridors must request that the Risk Manager provides them with a briefing on the of security conditions of the geographic areas where they plan to visit. If the security situation is favorable, he or she will be given specific security information about the location where they plan to visit, including MIDAS and/or ADAM contacts, and possible local support in case of an event. If the security situation is not favorable, permission to travel will be denied. An important site-specific source of security information will be ADAM and MIDAS managers and staff located in the area where someone wants to travel. The Risk Manager will contact key ADAM and MIDAS managers to get their input on the local security situation and inform that that an employee will be visiting their area.

*Note: A detailed ARD Colombia Security Manual has already been developed and is available separately.*

## **10. ARD Colombia Outreach/Communications**

The **primary objective** of the ARD Information and Community Outreach Department (“Outreach”) is to raise awareness of the populations in the MIDAS/ADAM corridor areas as to the benefits of a lifestyle that is free from illicit elements, whether that is in terms of production activities (illicit crops), political activities (FARC/ELN/AUC), or other related activities.

The main messages conveyed by Outreach are outlined below.

- Overarching theme: The benefits of alternative development activities as a means to improve the lives of people and their communities from a short- medium- and long-term perspective.
- Important sub-themes:
  - Long-lasting social and economic benefits of a lifestyle based on licit activities; and
  - The detrimental social and economic effects of participation in illicit activities.

These messages can include information on new opportunities brought about by the TLC, and from Colombia’s improved competitiveness in international markets. The Outreach message will be designed to effect social and cultural change as evidenced by peoples’ behavior in the USAID corridors.

### **Other Proposed Objectives of ARD Outreach**

- 1) Support the BDCs efforts to reach potential project participants, including developing a rapport with business and producer associations that will facilitate this objective.
- 2) Support the ADAM goals of promoting alternative development and strengthening local governments.
- 3) Actively participate in crafting Success Stories based on both ADAM and MIDAS project implementation, as well as achievements related to the overarching objectives of the Policy Component and the Outreach Department.
- 4) Raise awareness and inform the public in the MIDAS corridors about the social and economic development programs in place, urging them to develop a lifestyle that is free from illicit elements, whether that is in terms of production activities (illicit crops), political activities (FARC/ELN/AUC), or other related activities. The purpose of this objective will be to strengthen local counterparts’ ability to increase public and private commitment and community support to ensure program success and sustainability by conveying the benefits of the alternative development projects implemented under the MIDAS.
- 5) Support the Policy Component to achieve a broader civil society understanding and discussion of economic policy/institutional reform priorities, including critical competitiveness issues related to the GOC’s internal reform agenda and 2019 development plan. Communicate to key external potential investors improvements in competitiveness conditions that are underway in Colombia. Activities under this objective will underscore new opportunities via the TLC, and within the context of Colombia’s improved competitiveness in the international economy.
- 6) Enhance USAID/Colombia outreach efforts to raise awareness, understanding and support for U.S. economic and social assistance programs in Colombia and USAID-funded goals and activities. This

objective will be developed in coordination with USAID's Development Outreach and Communications Office, based in part on the findings from the recent PAS/USAID public perception survey.

Detailed Outreach objectives will be developed via discussions with USAID. An Outreach implementation strategy will then be developed when objectives are confirmed and prioritized and the Outreach Department Manager is hired.

Outreach should support ADAM and MIDAS program purposes and objectives. Hence, Outreach will have a well-defined strategic focuses with carefully planned activities that are simple and realistic.

### **Methodology**

The key to ARD's Outreach is a dynamic and knowledgeable, communications professional who has experience in managing communication campaigns. This person, who will be the Outreach Department Manager, will liaise with the USAID Development and Outreach Communications Office, and ADAM and MIDAS managers, to develop a program that will achieve the above-described objectives in the MIDAS and ADAM growth corridors.

The first task of this individual will be to refine a detailed set of objectives to be met by ARD Outreach. This set of objectives will be developed in coordination with the ADAM COP, the MIDAS COP, Component Managers, USAID/Colombia, and the GOC/Accion Social.

The Outreach Manager will determine the nature and skills of the staff required to fulfill these objectives, and will manage a recruiting activity to complete the Outreach Team. This team will be composed of professionals in line with the Outreach Activity Manager's estimation of which media and other information mechanisms are deemed appropriate, and will include the participation of the OAS Trust.

## II. YEAR ONE

A summary of important Year One activities is shown in Table 4 below. Some of the more important Year One program-level activities are discussed in this section.

**Table 4 Early Program Level Activities**

Activity	Mid-year Objective	Year End Objectives
<b>Arranque Rápido</b>		
Develop Support Instruments Manual	Approved by USAID	
Prepare Cooperation Protocols with ADAM & PILAS	Signed	
Develop and Publish APS/RBP	Approved by USAID and Published	
Document Proposal Development and Project Implementation Methodology	In Place	Updated
Develop and Post MIDAS Web-site	Completed and Posted	
Identify, Assess & Recomend Alternate Sources of Project Finance	Under Development	Completed for Each Component
<b>Start-up Activities</b>		
Establish Hiring Process and Hire Approved Staff	Completed	
Occupy New Bogotá Offices	Completed	
Establish Internal Controls and Vulnerability Assessment Methodology	Under Development	In Place
Develop and Install Internal Financial Management Policies and Procedures	In Place	Updated
Identify & Develop Management Information Systems (Administrative & Technical)	Under Development	In Place
Prepare Employees Manual	In Place	
Prepare Administrative Manual	In Place	
Prepare Security Manual	In place	

### 1. Transition Proposals Assessment

The proposals MIDAS has received from *Programa Colombia Forestal (PCF)*, Colombia Agribusiness Partnership Program (CAPP) and those that may be received from Colombian Enterprise Development (CED) will be assessed using the same agreed screening criteria as for all proposals, and adapted to the specifics of each component. The basic criteria are shown in section 3.2.1 above, and component-specific screening criteria are presented in each component's work plan. Many of these proposals will skip Screening and enter the Assessment stage of proposal development.

### 2. Operating Manuals Development

MIDAS management has identified a series of manuals that will be developed in the first six months of Program implementation. Some of these manuals, for example for Support Instruments, are required by USAID. Others are needed for the effective, efficient and in-compliance operation of MIDAS. Most MIDAS staff has minimal experience working on USAID programs, or on large and complex business

development activities. Therefore, clear policies and procedures need to be developed in all the important areas, and all relevant staff well trained on their use. Table 12.1 includes a list of the early manuals that will be developed, and the status of these manuals at mid-Year One and at Year-end.

An important strategy for MIDAS is to consolidate as many aspects of the ARD Colombia programs as possible for consistency and efficiency. This will allow the talents of the various specialists to be pooled into highly professional policies and procedures, and the manuals that document them to be applied to both Programs. Therefore, several of the manuals shown below will be jointly developed by ADAM and MIDAS (and CAPP) professionals, and applied to both programs.

### **3. Technical Training**

MIDAS Technical Services will be responsible for designing, and occasionally providing, technical training to the components and their proponents. This training will focus on 1) staff training in proposal development and project implementation, 2) training proponents in the use of project support instruments and REVA, and 3) helping to develop proponent-training programs MIDAS is supporting, e.g., association development training. Technical Services will design training for project grantees and subcontractors that teaches them how to submit the required reports to MIDAS under the REVA system. Within the first six months, staff will be trained on the procedures and parameters for developing proposals and implementing projects using approved systems and procedures. During the first nine months this training will be customized for the SME Corridor-level sub-contractors, i.e., a special training program will be designed for SME subcontractors to make sure they follow the proper policies and procedures related to proposal solicitation and screening. The Training Specialist in Technical Services will advise Component-level Proposal Coordinators on how to optimize training programs to be supported by MIDAS. Technical Services will also design, and when necessary provide, other types of internal and external technical training upon the request of Component management and other MIDAS departments.

### **4. Alternative Sources of Project Finance Assessment**

Technical Services will initiate an early and detailed assessment of alternative sources of project finance for the Agribusiness, Commercial Forestry and SME proponents, with special emphasis on identifying sustainable, market based sources in the second phase of the assessment. The second phase will include emphasis on the identification and development of sustainable financial alternatives to state rediscount lines and state guarantees as the primary source of funding for MIDAS projects. The Policy Component will help develop a transition strategy to these sources of finance, assuming they become available during the life of MIDAS. Establishing and implementing a strategic and innovative vision in this area will require close coordination between the Policy component and the BDCs. The overall objective of the assessment is to provide a portfolio of viable alternative sources of project financing in the form of a Project Financing Options Manual with tailor-made chapters for each of the three BDCs. The Project Finance Specialist will work closely with Component-level specialists, usually Proposal Coordinators, to develop an effective strategy to obtain current appropriate and best-value financing sources for project implementation, and will assist Proposal Coordinators to help proponents obtain the selected project financing. The objective of this portfolio of project financing sources is to ensure sustainable and cost-efficient financing during the length of selected projects.

The Project Finance Specialist will work closely with the Policy Component to ensure that new financial support options are consistent with the overall financial sustainability aims of MIDAS. This longer-term goal is to ensure stable access to market based (i.e., not primarily state-sourced or state-guaranteed) sources of financing that can be renewed over time without recourse to significant new USAID or GOC subsidy elements. This means the identification of market-based, alternative sources of project finance that

are not primarily or significantly reliant on state-based rediscount lines and/or guarantees. As noted, it will also entail development of a clear transition strategy away from primary reliance on state and state-guaranteed sources of financing as these new sources become available over the course of MIDAS implementation.

MIDAS and ADAM will investigate the possibility of jointly implementing the alternative sources of project finance assessment since the results of the assessment would be of considerable value to both MIDAS and ADAM productive projects.

The Project Finance Specialist will also establish standards for MIDAS reimbursement of upfront financing-related costs, and will assist PCs to solve problems regarding proponent's financing challenges during proposal development and project implementation.

## **5. Competitiveness Assessment Methodology**

An essential characteristic for the sustainability of MIDAS projects is the competitiveness of their products in viable domestic and international markets. Therefore, we will develop, in the first six months, a competitiveness assessment methodology for use by BDC staff, especially the Marketing Specialists and Proposal Coordinators. This methodology will allow MIDAS professional staff assessing the sustainability of a proposal to ascertain how competitive the products of a potential proponent are likely to be in their target markets. The results of this competitiveness assessment will be included in the Project Descriptions used by the Screening Committee to determine if a proposal will be passed into implementation. This competitiveness assessment methodology will also be used as the basis for determining the comparative competitiveness of selected agribusiness sub-sectors in each Growth Corridor.

One of the activities of the Policy Component will be a comparative assessment of several sectors and sub-sectors to identify policy and institutional constraints to enhanced competitiveness. The competitiveness assessment methodology and the Lessons Learned from BDC work in competitiveness will be contributed to the Policy Component's competitiveness assessment work.

J. E. Austin, who has extensive competitiveness enhancement experience around the world, and ARD's own competitiveness enhancement experts, will contribute to the competitiveness enhancement assessment methodology.

## **6. Corridor Offices Roll-out**

Table 5 shows the timing of each Component's staffing of Corridor offices. The Commercial Forestry Component plans to place staff in locations close to concentrations of potential customers. Within the first six months, a Corridor offices sharing plan will be developed in cooperation with ADAM and PILAS. This plan will optimize the use, cost and coordination of USAID AD activities in each of the six Growth Corridors.

Table 5 Corridor Offices Roll-out Expectations

REGIONAL OFFICES	Year / No. Professionals															
	2006													2007		
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	Month	Total	
<b>Bucaramanga</b>																
SME										2	2		4			
Agribusiness						1							1			
Commercial Forestry							1						1			
<b>Total</b>													<b>6</b>			
<b>Cali</b>																
SME						2	2						4			
Agribusiness													0	Jan	1	
Commercial Forestry					1								1			
<b>Total</b>													<b>5</b>		<b>1</b>	
<b>Medellín</b>																
SME						2	2						4			
Agribusiness													0	Jan	1	
Commercial Forestry					2								2	Jan	1	
<b>Total</b>													<b>6</b>		<b>2</b>	
<b>Pereira</b>																
SME										2	2		4			
Agribusiness													0	Jan	1	
Commercial Forestry													0	Jan	1	
<b>Total</b>													<b>4</b>		<b>2</b>	
<b>Barranquilla</b>																
SME						2	2						4			
Agribusiness													0	Jan	1	
Commercial Forestry													0	Jan	1	
<b>Total</b>													<b>4</b>		<b>2</b>	
<b>Ibagué</b>																
SME										2	2		4			
Agribusiness						1							1			
Commercial Forestry													0			
<b>Total</b>													<b>5</b>		<b>0</b>	
<b>Others (Commercial Forestry)</b>																
Apartadó					1								1		0	
<b>Total</b>													<b>1</b>		<b>0</b>	
<b>Total Professionals on the regional offices by Year</b>													<b>31</b>		<b>7</b>	
<b>Grand Total</b>													<b>38</b>			

## **7. Consolidated Primary Activities**

Table 6 illustrates consolidated MIDAS Year One Projects and Activities. This summary of program and component level Year One activities provides an overview of all significant MIDAS Year One activities.

It is very important to take into account that, before implementing fast track projects, MIDAS will design procedures, prepare evaluation criteria, train proponents, identify potential operators near project sites and prepare implementation manuals, among other activities.

Table 6 - Consolidated Primary Activities

ACTIVITY	Month											
	1	2	3	4	5	6	7	8	9	10	11	12
	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06
<b>ARRANQUE RAPIDO</b>												
<b>AGRIBUSINESS</b>												
Palmera del Sur de Bolívar												
Palmares El Pórtico												
ASOGPADOS First Phase												
ESTAM First Phase												
ASOCATI First Phase												
<b>COMMERCIAL FORESTRY</b>												
Reforestadora de Urabá La Gironda S.A.-												
Reforestadora de Urabá El Indio S.A.- INCUAGRO												
Productora de Caucho de Urabá S.A.- INCUAGRO												
Alianzas Productivas para La Paz- PIZANO												
PIZANO - FINAGRO												
REFOCOSTA- FINAGRO												
El Guásimo												
MADERUABA												
<b>POLICY</b>												
Fiscal Reform (Tax reform and reform of												
Financial Reform (including microfinance)												
Agriculture and SPS												
Competitiveness and Regulatory Reform												
Labor Market Reform												
Trade, Customs and Technical Norms												
Land Market Access Reform												
Introduction of pilot property tax												
<b>CONTRACTUAL ACTIVITIES</b>												
<b>AGRIBUSINESS</b>												
Prepare ToR for Competitive study and contract												
Implement corridor subsector competitiveness studies												
<b>COMMERCIAL FORESTRY</b>												
Conduct Corridors Appraisal												
Assistance to GOC in land titling for MIDAS Projects												
Assess feasibility of capturing funds from the clean												
Market analysis for main planted species and from natural forests for MIDAS customers												

## 8. Budget

A Summary Budget for each Component, and when they are combined the Program budget, is shown in Table 7. A brief explanation of the methodology used to complete this table may be useful. Since the ARD Colombia-level departments (Controller, Administration, Security and Outreach) are shared by ADAM, MIDAS and CAPP (CAPP's merger into MIDAS is not included in the budget shown in Table 7) the costs of these departments are allocated to MIDAS proportionate to MIDAS' share of the total budgets of the three programs. The percentage share of the total value of all ARD Colombia programs is ADAM 50.7%, MIDAS 42.7% and CAPP 6.7%. Therefore, the MIDAS share of ARD Colombia costs is 42.7% or \$5.7 million in Year One. It should be noted that Year One includes around \$1.4 million in total one-time costs such as offices fit-out, rent advance, vehicles and furniture. These ARD Colombia costs were then allocated to each of the MIDAS components proportional to a components share of the total Year One budget, shown in Row A. The ARD Colombia costs allocated to MIDAS Components are shown on Row B of Table 7.

The costs of three of the four MIDAS shared departments were also allocated to the components based on each components share of the total 2006 budget. Since Technical Services includes significant costs for the Corridor offices, and Policy does not use these offices, the cost of corridor offices and staff was not charged to Policy. Therefore, the weighting for the allocation of Technical Services is different.

Direct labor costs for Long Term, Colombian Short Term and US Short Term were calculated using the detailed staffing plans and either the actual salary for staff already hired or for whom a salary has been negotiated, or the mid-point of the FSN level approved for positions that have yet to be filled. Base salaries were increased by a multiplier that includes fringe benefits for LT employees and recovery of other costs for both LT and STTA labor.

Total MIDAS Shared Labor Costs and Component Direct Labor costs are shown as Total Labor Cost in Row C.

Each of the Components did a careful determination of how many and what value grants and sub-contracts they believe they will be signed in 2006, and the cash flow associated with actual disbursements to those grantees and sub-contractors. The total of this cash flow is shown as Row F.

Therefore, the total budget for each component is the sum of Rows B, C and F. It is useful to note that the Agribusiness (under projected by 14.3%) and SME (under projected by 37.1% due to a more complex start-up utilizing regional sub-contractors) Components project that they will not require the full amount of their 2006 initial budget. However, the over initial budget expenditures of the Commercial Forestry (12.7% over) and especially the Policy Component (64.8% over) offset any under spending such that the total budget is only about 0.6% over projected.

**Table 7 – First Year Summary Budget**

ARD Inc. COLOMBIA

MIDAS

**BUDGET SUMMARY BY COMPONENT YEAR 1**

Type Cost	Agribusiness	Commercial Forestry	SME	Policy	Total
<b>A Year 1 Costs by Component</b>	<b>\$5,801,546</b>	<b>\$3,872,038</b>	<b>\$6,128,564</b>	<b>\$4,225,862</b>	<b>\$20,028,010</b>
Weight for ARD Colombia Costs Controller, Administration, Rent, Travel, Equipment, Security	28.97%	19.33%	30.60%	21.10%	100.00%
<b>B (B/A) Shared Costs 28.64%</b>	<b>1,661,538</b>	<b>1,108,935</b>	<b>1,755,195</b>	<b>1,210,269</b>	<b>5,735,937</b>
<b>Midas Shared Labor Costs:</b>					
Outreach/Information	78,499	52,391	82,924	57,179	270,994
Grants and Subcontracts	112,003	74,752	118,316	81,583	386,653
Program Planning	173,106	115,534	182,864	126,091	597,594
Project Finance	21,844	14,579	23,075	15,911	75,410
Weight for MIDAS Technical Services Costs	36.71%	24.50%	38.78%		100.00%
Technical Services	296,192	197,683	312,887	107,103	913,866
<b>Direct Labor Costs:</b>					
Long Term	935,107	890,637	1,059,652	2,773,398	5,658,794
STTA US	51,025	137,020	-	1,460,821	1,648,866
STTA COL	194,649	168,870	32,685	1,131,675	1,527,878
Operations Subcontracts			26,520		26,520
<b>C Total Labor (*)</b>	<b>1,862,425</b>	<b>1,651,466</b>	<b>1,838,923</b>	<b>5,753,761</b>	<b>11,106,575</b>
<b>D Local Grants &amp; Subcontracts</b>	<b>2,277,583</b>	<b>1,111,637</b>	<b>2,534,447</b>	<b>(2,738,168)</b>	<b>3,185,498</b>
<b>E= B+C+D Total</b>	<b>5,801,546</b>	<b>3,872,038</b>	<b>6,128,564</b>	<b>4,225,862</b>	<b>20,028,010</b>
<b>F Work Plan Local Grants &amp; Sub-contracts Budget</b>	<b>1,450,000</b>	<b>1,603,695</b>	<b>260,000</b>	<b>-</b>	<b>3,313,695</b>
<b>G=D-F Balance</b>	<b>827,583</b>	<b>(492,058)</b>	<b>2,274,447</b>	<b>(2,738,168)</b>	<b>(128,197)</b>
<b>H=B+C+F 2006 Total Budget</b>	<b>\$4,973,963</b>	<b>\$4,364,096</b>	<b>\$3,854,117</b>	<b>\$6,964,030</b>	<b>\$20,156,207</b>

(\*) Note: TBD costs were calculated based on the 7th step for each projected FSN scale

## **APPENDIX 1 – Performance Management Plan**