

INTER-AMERICAN DEVELOPMENT BANK
MULTILATERAL INVESTMENT FUND

COLOMBIA

SOCIAL INNOVATION MODEL FOR POVERTY ALLEVIATION

(CO-M1091)

DONORS MEMORANDUM

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ABBREVIATIONS

| | |
|-------|--|
| ANSPE | Agencia Nacional para la Superación de la Pobreza Extrema [National Agency to Alleviate Extreme Poverty] |
| CCC | Compartamos con Colombia |
| CIS | Centro de Innovación Social [Social Innovation Center] of ANSPE |
| DNA | Diagnostic needs assessment |
| ESR | Environmental and social review |
| MIF | Multilateral Investment Fund |
| PSR | Project status report |

GLOSSARY

| | |
|----------------------------|--|
| Innovative solution | A new product, service, practice, or business model that solves a social problem and, once implemented, proves to be more effective, efficient, sustainable, or fair than existing options, in which the value generated principally benefits society as a whole, rather than specific individuals. ¹ |
| Social enterprise | A business with a social purpose that uses the power of the market to mitigate or reduce a social problem. A social enterprise generates social value while operating with the financial discipline, ability to innovate, and determination of a private-sector enterprise. |
| Social innovator | A person or institution that pursues research with creativity and discipline, in order to find more sustainable and efficient new solutions using innovation tools such as multidisciplinary teams, social networks, co-creation processes, crowdsourcing, etc. |
| Social entrepreneur | An individual or entity that uses business strategies to implement innovative solutions in a practical and sustainable manner, seeking financial and social returns simultaneously. |

¹ *Stanford Social Innovation Review*. Fall 2008. The term innovative solution is used to mean social innovation in a number of instances.

PROJECT DESCRIPTION

Despite Colombia's strong economic growth in recent years, more than 1.5 million families still live in extreme poverty, and the programs promoted in the public and private sectors have not sufficiently reduced poverty and inequality in the country. In this context, although the poor suffer from serious problems that need to be solved, more and more social innovators and entrepreneurs stand ready to offer new proposals to address the everyday challenges faced by the neediest populations. Thus far, however, Colombia has no structured model to link the problems of the poor to existing social innovators and entrepreneurs, employing best practices in open and entrepreneurial innovation developed in recent years.

This project seeks to fill that void. Using the new technologies and social networks, a series of problems will be presented to a broad group of innovators and entrepreneurs in Colombia and the rest of the world, so they can propose more effective solutions to the challenges identified than currently exist. In particular, efforts will be made to identify the poverty challenges most in need of innovative solutions, selecting those proposals with demonstrated effectiveness that have the best potential for scale and sustainability. The selected solutions will be structured as projects with a view to scaling that will receive support for the implementation of pilot initiatives. The solutions will be grown and scaled up either through partnerships with the private sector or through proposals that will be carried to scale by government agencies through "Red Unidos" [United Network].

The executing agency of the project is Compartamos con Colombia which, together with the Social Innovation Center (CIS) of the Colombian government's National Agency to Alleviate Extreme Poverty (ANSPE), will coordinate a network of public, private, and academic institutions.

I. EXECUTIVE SUMMARY

| | |
|--|--|
| Country/region: | Colombia |
| Project name: | Social innovation model for poverty alleviation |
| Project number: | CO-M1091 |
| Executing agency: | Compartamos con Colombia (CCC) |
| Beneficiaries: | 15,000 households living in poverty and extreme poverty. Social innovators and entrepreneurs. |
| Financing: | MIF nonreimbursable technical cooperation: US\$1,750,000 Compartamos con Colombia counterpart: <u>US\$2,650,000</u> Total: <u>US\$4,400,000</u> |
| Objectives: | The <i>goal</i> of the project is to contribute to the alleviation of poverty and extreme poverty in Colombia. The <i>purpose</i> is to identify and implement sustainable and scalable mechanisms to solve problems of communities in poverty and extreme poverty through consolidation of a public-private social innovation system. |
| Execution timetable: | Execution period: 48 months Disbursement period: 52 months |
| Special contractual clauses: | Project coordinator selected. |
| Environmental and social review: | The project was classified as category “C” with no comments. |
| Coordination with other institutions: | National Agency to Alleviate Extreme Poverty (ANSPE) of Colombia. |
| Exceptions to Bank policy: | None. |

II. BACKGROUND AND RATIONALE

A. Social innovation as a tool to alleviate poverty

- 2.1 Colombia has seen significant changes in its working strategies to alleviate poverty thanks to initiatives led by the public and private sectors, which have benefited from the country's economic growth. Colombia's GDP has grown at an average of 4.5% in the last decade, with historic rates of foreign investment and tax revenues. However, despite this strong economic growth, poverty and social inequity persist at unacceptably high levels in the country. Some 34.1% of the population live below the poverty line, 10.6% in extreme poverty,² and a Gini coefficient of 0.548 makes Colombia one of the most unequal countries in Latin America. In these circumstances, 1.5 million Colombian families continue to live in extreme poverty, with difficulty in gaining access to basic services or sufficient income in places where neither the efforts of the public nor the private sector have been effective thus far. Around 36% of families in extreme poverty are households headed solely by women, which highlights the importance of including measures targeted specifically to improve conditions for poor women in Colombia.
- 2.2 To better address the problems of poverty in Colombia, the government has coordinated its social programs through the creation of "Red Unidos" [United Network],³ led by the National Agency to Alleviate Extreme Poverty (ANSPE). Recognizing that poverty reduction requires multiple stakeholders to cooperate in creating and implementing innovative ways of solving problems, the Center for Social Innovation (CIS) was established within ANSPE as a unique initiative in Latin America with the objective of actively contributing new solutions to the problems of poverty in the country. Thus, Colombia's "Prosperidad para Todos" [Prosperity for All] National Development Plan recognizes innovation as a touchstone for the country's progress, emphasizing its role in promoting economic growth, competitiveness, environmental sustainability, and social progress.
- 2.3 At the same time, Colombia's private sector is increasingly supplementing its traditional models of corporate social responsibility with new models more sharply focused on the promotion of social enterprise and social innovation (for example, under the "shared value" approach). Thus, companies are looking for market-based proposals that go beyond the more limited social assistance work practices in their own communities, in which social impact is sustainably incorporated into business activities through their value chain.
- 2.4 Despite the recognition of innovation as a means of meeting the needs of the very poor, its practice and relevance in Colombia are still insufficient, and the country

² "Pobreza monetaria y multidimensional en Colombia" [Monetary and multidimensional poverty in Colombia], National Administrative Department of Statistics. 2011.

³ A network of 22 public institutions that coordinate their poverty-reduction actions.

has no structured model for connecting the problems of the poor with existing social innovators and entrepreneurs using the best practices in open innovation and entrepreneurial innovation developed in recent years. Thus, social innovators and entrepreneurs, as well as other key stakeholders such as universities and development agencies, lack the incentives, tools, and support networks to work in a coordinated manner, identifying problems and seeking new solutions to poverty. This leads both to an absence of new solutions and unawareness of existing solutions, and to solutions that cannot be scaled up effectively by public and private entities with the resources and interest to expand them.

- 2.5 There is a disconnect, therefore, between the needs of the public and private sectors, which lack access proven new strategies to do their work better, and the proposals and interventions of innovators and entrepreneurs, which fail to achieve scale without strategic partners involved from the outset. Thus, the central problem to be addressed by this project is the lack of a structured model to coordinate the efforts of both public institutions and private companies in Colombia that also encourages social innovators and entrepreneurs to collaborate actively in generating new solutions to more sustainably and effectively address the problems of poverty in the country.

B. The project and its relevance for the MIF

- 2.6 The project seeks to develop a model that facilitates the identification, structuring, and scaling of innovative solutions to the problems of poverty of families and communities in Colombia. At the heart of the model, a public-private institutional structure will be developed to coordinate the process, convey the importance of social innovation, facilitate scaling processes, and promote incentives to ensure the model's sustainability and expansion. The ultimate objective of the project is to demonstrate that social innovation is an effective tool for alleviating poverty, which can be promoted jointly by public and private institutions of the region. Thus, social innovation is an alternative to traditional poverty-reduction instruments that expands the array of the available models and solutions and develops options better suited to the specific circumstances of the most disadvantaged populations.
- 2.7 Social innovation is based on open innovation, in the sense that, whereas traditional innovation takes place within the four walls of institution relying on inhouse expertise, open innovation assumes that the knowledge and expertise are dispersed and may reside outside the company. Thus, while traditional innovation focuses too narrowly on "who" solves the problems, organizations that have adopted open innovation actively promote a culture of collaborative problem-solving. One key factor in the development of social innovation is to take the needs of communities and the poor as a starting point ("human centered design") and identify best practices and/or design new products and services on that basis, rather than adding unnecessary sophistication to products and services already offered by companies and/or development agencies. The use of collective intelligence takes on ever greater importance through mechanisms such as

- crowdsourcing, which enables more effective and scalable solutions to be identified by leveraging social networks as well as online and “co-creation” collaboration tools.
- 2.8 This project is aligned with the MIF’s mission of creating economic opportunities and reducing poverty in Latin America and the Caribbean through innovative models that benefit poor individuals and communities. In particular, the project contributes to the MIF’s vision as a laboratory for pioneering methods for development and serving as a change agent that can bring together and coordinate public and private institutions of the region around programs. The project is developed under the MIF’s topic of Value Chains, under Access to Markets and Capabilities.
- 2.9 MIF involvement in the project is relevant, firstly, because of the credibility it lends to the process as well as contacts with public and private institutions, which will facilitate leveraging of funds and opportunities for scaling up solutions. The MIF will also contribute to the project through linkage to best practices and solutions from other MIF-financed programs in the region that could be applied in Colombia to reduce poverty. The project will incorporate lessons learned from the social innovation program now in execution in Chile (CH-M1046) and from other initiatives under way, such as the Productivity Fund for the expansion of B companies in Latin America, which proposes a social entrepreneurship model with high impact potential.⁴

III. PROJECT DESCRIPTION

A. Goal and purpose

- 3.1 The *goal* of the project is to contribute to the alleviation of poverty and extreme poverty in Colombia. The *purpose* is to implement sustainable and scalable mechanisms to solve problems of communities in poverty and extreme poverty through consolidation of a public-private social innovation system.

B. Components and activities

- 3.2 The project has the following components: (i) identification of solutions and structuring of pilot projects; (ii) implementation of solutions and management of scaling; (iii) capacity development and strengthening of the social innovation ecosystem; and (iv) dissemination of outcomes and positioning of social innovation in Colombia.

⁴ The project will also coordinate activities with the Shared Value initiative being designed by the MIF with ANDI in Colombia (loan CO-M1064).

Component I: Identification of solutions and structuring of pilot projects (MIF: US\$175,000; CCC: US\$307,000)

- 3.3 The purpose of this component is to develop a structured model that utilizes best practices in innovation developed in recent years to identify new viable and pertinent solutions to problems faced by poor and extremely poor communities in Colombia. The first step will be to create a public-private coordination mechanism led by the Social Innovation Center (CIS) and Compartamos con Colombia (CCC), which brings together leading private companies in sustainability and community work, in order to unite public and private efforts to promote the practice of innovation in the country, in particular those areas where the poverty rate is highest and government and corporate activities have traditionally been more limited.
- 3.4 Based on the social problems prioritized by the CIS and CCC, to be identified in a participatory manner with the poor communities, a series of challenges will be structured for presentation to social innovators and entrepreneurs in Colombia and the rest of the world through open calls for proposals. An open innovation platform will be used for this, leveraging social networks (through crowdsourcing and similar processes), to identify a large number of solutions and build a community of social innovators and entrepreneurs. The solutions proposed will be products, services, practices, or business models with a certain degree of structuring and validation, which will be evaluated according to their potential for scaling and sustainability. The platform will also create a community of users (students, innovators, entrepreneurs, experts, etc.) that will help “co-create” the best solutions, contributing ideas and proposals to improve design and implementation.
- 3.5 The component will first draw on the capabilities of the National Agency to Alleviate Extreme Poverty (ANSPE) and the comanagers⁵ to reach very poor communities in the country and identify their needs. Second, it will tap the technical capabilities of the CCC volunteer specialists⁶ to structure pilot projects around the solutions selected in the open calls for proposals. Existing platforms⁷ will be the starting point for these calls for proposals, so as to connect the challenges with a larger number of social innovators and entrepreneurs. The MIF will participate actively in the open calls for proposals, ensuring that the best practices of its projects (both in Colombia and in other countries of the region) are

⁵ The comanagers are a group of more than 10,000 social workers within the Red Unidos network, who monitor and provide and psychosocial support for families living in extreme poverty in Colombia.

⁶ Compartamos con Colombia has an extensive network of consultants at the country’s leading consulting firms who volunteer services for various projects of the organization. Some of the CCC member firms include: McKinsey & Company, Advantis, Remolina Estrada, PWC, Ernst & Young, Deloitte, BDO, Banca Inversión Bancolombia, Estrategias Corporativas, Inverlink, JPMorgan, CITI, etc.

⁷ Initially, a platform developed by Un Techo para mi País (www.socialab.org), which has over 19,000 users, will be used, but a specific platform will subsequently be developed for Colombia. Development of this platform is part of Component IV of this project.

incorporated into the proposed solutions to the challenges posed. As part of the project's gender dimension, at least one challenge will be promoted specifically to improve opportunities for women in Colombia.

- 3.6 From the start, the pilot projects will be structured with a view to scaling and replication, once the impact of the solutions has been proven, and the key aspects of their business model validated. Thus, the potential for future financing of the solutions to achieve scalability through social entrepreneurship mechanisms or relevant government agencies will be incorporated into their design. The component includes the following activities: (i) identification and analysis of the problems to be addressed through social innovation solutions; (ii) organization of open calls for proposals to identify solutions; (iii) identification of opportunities and innovative solutions with direct community participation; and (iv) identification of projects through social innovation system partners.
- 3.7 The expected outcomes include: (i) 5 open calls for innovation proposals held to identify projects and solutions to problems of poverty and extreme poverty; (ii) 1 of these 5 calls for proposals targeted specifically to improve opportunities for poor women; (iii) 300 solutions identified; (iv) 15 communities participating in field studies and participative innovation processes; and (v) at least 70 solutions structured as pilot projects for presentation to the Selection Committee.

Component II: Implementation of solutions and management of scaling (MIF: US\$324,000; CCC: US\$1,883,000)

- 3.8 The purpose of this component is to implement and validate the solutions selected as most promising and structured under Component I, analyzing their impact on poverty reduction, their capacity to strengthen business models (technical and entrepreneurial), and their potential for scaling, adoption, and replication by public and private entities. The component will provide technical and financial support for implementation of pilot projects around the selected solutions, supporting in particular the processes of scaling up those solutions showing the greatest potential to expand their impact significantly.
- 3.9 As a first step, a reimbursable financing facility will be created for implementation of the solutions selected in the process described under Component I.⁸ The facility will finance a projected 30 solutions. The facility will be financed through contributions from ANSPE, private companies and foundations, and international donors. The MIF will contribute to finance the pilot projects for those solutions with greatest potential for scaling via a social enterprise model.
- 3.10 A Selection Committee will be established for the facility, which will prioritize the proposals with the best potential for obtaining a scalable social impact given

⁸ Some of the scaled solutions that have a more sophisticated business model may receive reimbursable financing. Thus, an approach based on impact investment criteria will be incorporated gradually, as part of the facility's sustainability strategy.

- their business model, technical viability, and partnerships with public or private institutions. The Selection Committee will be comprised of representatives of CCC, the MIF, ANSPE, and private companies contributing to the facility, as well as experts invited, as needed, given the specific subject-matter of the challenge. The Selection Committee will have a series of evaluation criteria for the selection of solutions, including: (i) impact on poverty reduction; (ii) the market focus and sustainability of the solutions; (iii) the potential of the solutions for scalability and replicability; (iv) the proposal's strategic partnerships; (v) the quality of the entrepreneur or institution proposing the initiative and the scaling vehicle proposed; and (vi) the benefits for minority and/or previously excluded populations, including women. Also, for each specific call for proposals, the framework criteria will be supplemented by specific sector, geographic, or population criteria.
- 3.11 Implementation of the selected pilot projects will be geared particularly toward rigorously assessing both the impact of the solutions on poverty and which elements of the business model can increase their potential scalability and sustainability. Leveraging the capabilities of ANSPE's network of comanagers, baselines will be set to determine how much more effective the solutions have been in improving poverty conditions for the poor population than other, traditional methods. This component is will also facilitate the scaling of the most effective solutions. Thus, the pilot projects will be structured such that the solutions can be tested and improved, identifying which business and management models make them most scalable. As an institutional basis for this scaling process, support will be provided to social innovators and entrepreneurs in consolidating the social enterprise or legal instrument identified for operation of the solution's business model. CCC's specialists will play a central role in this regard, supporting entrepreneurs and institutions in planning the pilot projects and executing their enterprises, particularly in business management and access to markets and key clients. Experts will also be engaged to support the solutions in regard to specific needs, and resources will be invested in communicating the effectiveness of the solutions to potential clients.
- 3.12 This component includes the following activities: (i) selection of pilot projects to be financed and implemented; (ii) implementation of pilot projects; and (iii) analysis and documentation of pilot projects and support in scaling successful solutions. The expected outcomes of this component include: (i) at least 30 solutions implemented through pilot projects with a view to scaling; (ii) at least 30 scaling partners associated with the project that invest directly in solutions; (iii) US\$2 million invested through the facility over the life of the project; (iv) at least 10 solutions brought to scale through social entrepreneurship mechanisms; and (v) 80% of beneficiaries demonstrate satisfaction with the solution that benefited them.

Component III: Capacity development and strengthening of the social innovation ecosystem (MIF: US\$330,000; CCC: US\$45,000)

- 3.13 The purpose of this component is to develop skills and the necessary conditions to ensure that the proposed solutions can be expanded, and an ecosystem created that will reach those parts of Colombia where social innovation is most needed. Training and social innovation promotion activities will be conducted, encouraging universities, which are key players in innovation, to develop programs focusing on this subject. At the subnational level, partnerships will be promoted between different public and private institutions to generate local social innovation processes. Lastly, strategic communication actions will be undertaken with public and private stakeholders to establish the concept as a national focus of poverty-reduction programs. The component activities will focus on: (i) the selection of universities and institutions to establish and strengthen social innovation programs; (ii) thematic seminars to create partnerships among major stakeholders at the regional level; and (iii) promotion of a public policy proposal in the field of social innovation.
- 3.14 The expected outcomes are: (i) at least 10 universities and institutions offering programs and initiatives focused on training for social innovation; (ii) at least 400 potential investors and other agents in the ecosystem have received training in social innovation, including staff of relevant public agencies and advisors who play a key role in strengthening entrepreneurship in the regions of Colombia; (iii) at least 80 social enterprises and innovations have been identified through academic programs focused on social innovation; (iv) at least 40 institutions (public, private, and academic) are directly linked to the social innovation ecosystem; (v) a public policy instrument focused on incentives and tools for social innovation has been designed; and (vi) 1,000 students participate in social innovation activities and programs.⁹

Component IV: Dissemination of outcomes and positioning of social innovation in Colombia (MIF: US\$325,000; CCC: US\$85,000)

- 3.15 In terms of knowledge, the objective of this component is to develop a methodological guide on how public and private actors can work together on social innovation processes that generate innovative, relevant, and effective solutions to the social problems of poor people and communities. This guide is expected to be a model that can be replicated both at the subregional level in Colombia and at the level of Latin America and the Caribbean by governments and private sector actors. The guide will be supplemented with specific manuals on introducing social innovation instruments, such as a manual on the participatory identification of social problems, a manual on how to conduct open

⁹ Although some pilot initiatives in the development of social innovation programs exist at Colombian universities (Universidad de los Andes has a program in its Design Faculty), it is important to expand the base of students educated in this subject as a breeding ground for potential social entrepreneurs and to train technicians who know the subject and can provide services for social undertakings.

- social innovation calls for proposals, and a manual of operations for social innovation communities and challenge platforms. Lastly, five case studies will be developed to document lessons on the open social innovation calls for proposals held. Given the project's relevance in terms of knowledge management, MIF oversight and clearance will be required for the various knowledge products generated via the activities under this component.
- 3.16 In terms of communication, this component will work to build an active community of public and private actors and entrepreneurs who recognize the value of social innovation for poverty alleviation. The project's central message is that social innovation projects are capable of creating sustainable and scalable solutions that respond more effectively than traditional models to the problems of poverty in Colombia. The key audiences in this process are: (i) public actors (ministries, municipal and regional governments, etc.), which will receive attention through the channels of ANSPE and Red Unidos; (ii) private-sector actors (companies, private foundations, social investors), which will be mobilized through CCC; and (iii) social entrepreneurs, students, and young businesspeople who become involved in the project through the development of innovative solutions. The communication channels to be used to contact these actors will be social networks, which have proven to be effective tools for mobilizing stakeholders around innovation issues. Also, for the public and private actors, specific events and workshops will be held to communicate the social innovation proposal as an effective working tool to alleviate poverty.
- 3.17 In terms of communication, this component seeks to develop an active community of stakeholders and discourse on alternatives to fight poverty through social innovation, centered on a Web platform and a communication strategy geared to the social media that will serve as the starting point for the proposals and consolidate conversation in the social media. This platform will be presented as a meeting point for events, experts, and the dissemination of relevant information—in an open data format—including studies and knowledge products. The following activities are also planned: (i) consolidate a database with stakeholders, case studies, and best practices in social innovation in Colombia; (ii) produce regular reports on the development of social innovation in Colombia; (iii) hold workshops and forums on social innovation; and (iv) position social innovation for the development of key audiences.
- 3.18 The expected outcomes of this component are: (i) development of a communication strategy, including presence in different channels, indicators, and positioning targets; (ii) 3 international workshops and/or forums held on social innovation; (iii) at least 3 manuals on best practices in the conduct of participatory social innovation processes; (iv) 1 methodological guide on how to implement social innovation processes in a concerted manner; and (v) at least 350 solutions accessible and mapped through the online platform.

IV. COST AND FINANCING

- 4.1 The total cost of the project is US\$4,400,000, with a MIF contribution of US\$1,750,000. The CCC's counterpart will be US\$2,650,000, at least 50% of which will be in cash. The budget for the project is presented below.

| Expenditure item | MIF | Local counterpart | Total |
|---|------------------|-------------------|------------------|
| Component 1: Identification and structuring of pilot projects | 175,000 | 307,000 | 482,000 |
| Component 2: Implementation of solutions and management of scaling | 324,000 | 1,883,000 | 2,207,000 |
| Component 3: Capacity development and strengthening of the social innovation and entrepreneurship ecosystem | 330,000 | 45,000 | 375,000 |
| Component 4: Dissemination of outcomes and positioning of social innovation in Colombia | 325,000 | 85,000 | 410,000 |
| Administration | 330,000 | 330,000 | 660,000 |
| Baseline, audits, and midterm and final evaluations | 120,000 | | 120,000 |
| Contingencies | 43,619 | | 43,619 |
| Subtotal | 1,647,619 | 2,650,000 | 4,297,619 |
| Percentage | 38.34% | 61.66% | |
| Impact Evaluation Account (5%) | 82,381 | | 82,381 |
| Strengthening of executing agency | 20,000 | | 20,000 |
| Total | 1,750,000 | 2,650,000 | 4,400,000 |

- 4.2 **Execution and disbursement periods.** The execution period for the nonreimbursable technical-cooperation contribution will be 48 months with a disbursement period of 52 months.
- 4.3 **Project sustainability.** The project's sustainability will be based on the consolidation of a public and private platform to support and finance the social innovation model in the country. Specifically, three sources of financing and support for the model will be present from the start of the proposal and are expected to consolidate and expand as a result of the project: (i) public financing through ANSPE and other Colombian government programs; (ii) private financing from companies and foundations; and (iii) funds from international donors. As a second strategy for sustainability, as the model gains experience and volume of best practices, the financing facility for pilot initiatives is expected to gradually incorporate impact investment funds that will contribute to the model's sustainability.

V. EXECUTING AGENCY AND EXECUTION MECHANISM

A. Executing agency

- 5.1 The project executing agency will be Compartamos con Colombia (CCC), an organization founded in 2001 with the mission of promoting, supporting, and strengthening the social sector through the development of initiatives with high social impact. CCC conducts projects using talent and trained human capital voluntarily contributed by its partners (leading firms in Colombia in consultancy, banking, law, and audit services such as McKinsey & Company, Advantis, Remolina Estrada, PWC, Ernst & Young, and others). CCC specializes in coordinating public and private players around development issues and recently has been collaborating with the National Agency to Alleviate Extreme Poverty (ANSPE) on a pilot proposal that is the precursor to this project.
- 5.2 The project will have ANSPE's Social Innovation Center (CIS) as a strategic partner. ANSPE was established by the Colombian government in 2011 with the objective of participating with other relevant agencies and subnational bodies in the formulation of public policy to alleviate extreme poverty and coordinate implementation of the national antipoverty strategy through coordination with public and private actors and the promotion of social innovation. CIS will participate in the project, firstly, by contributing counterpart resources for the financing facility and for activities to identify solutions; secondly, by contributing the network of comanagers to be operated by ANSPE, which will enable the project to achieve significant capillarity; and lastly, by contributing the baseline information on the families and communities selected to promote solutions to their social problems.
- 5.3 The project's network of partners includes universities and specialized centers (particularly Universidad de los Andes), the private sector (particularly through the Asociación de Fundaciones Empresariales de Colombia [Colombian Association of Business Foundations] and various companies with ties to CCC), and international partners (such as Socialab, IDEO, Santa Clara University, and the Gates Foundation).
- 5.4 In addition to the Selection Committee described under project Component I, a project Advisory Board will be established, comprised of representatives of ANSPE, CCC, and the MIF. The Advisory Board will provide strategic direction for project execution, tracking its macro execution and, in particular, facilitating contacts with key entities and supporting communication activities. It will also include representatives of three entities that have provided financial support for the solution implementation facility. The Advisory Board will meet at least once every three months during the first year of project execution, and once every six months thereafter.
- 5.5 Lastly, to facilitate the component activities, the local MIF specialist, the project coordinator, and a CCC representative will meet regularly as an Operations

Committee to ensure that the project is being executed properly in terms of technical aspects, procurement, financial planning and the achievement of indicators, milestones, and objectives.

B. Execution mechanism

- 5.6 **Disbursement by results.** Project disbursements will be contingent upon verification of the achievement of milestones, using the means of verification agreed upon between the executing agency and the MIF. Achievement of milestones does not exempt the executing agency from responsibility to meet the logical framework indicators and the project's objectives. Under the risk- and performance-based management modality, the disbursement amounts will be determined on the basis of the project's liquidity requirements for a maximum period of six months. These requirements will be agreed on between the MIF and the executing agency and will reflect the activities and expenditures programmed in the annual planning exercise. The first disbursement will be contingent upon achievement of milestone 0 (conditions precedent), and successive disbursements will be made as long as the following two conditions are met: (i) the MIF has verified that the milestones have been met as agreed in the annual planning; and (ii) the executing agency has provided justification for 80% of the cumulative advances of funds.
- 5.7 **Intellectual property.** The IDB/MIF will have intellectual property rights to the operations manuals and knowledge management products of the social innovation model as a whole. The IDB/MIF will also have access to the online platform and database developed, in order to coordinate them with knowledge management initiatives and other best practices processes promoted by the MIF. To facilitate expansion of the pilot projects and social enterprises financed under the project, the methodology and specific business models will be the property of the persons and institutions that present them.
- 5.8 **Procurement of goods and contracting of consultants.** For the procurement of goods and contracting of consulting services, the executing agency will be governed by IDB procurement policies (GN-2349-9 and GN-2350-9). The diagnostic needs assessment (DNA) of the executing agency found the level of need/risk to be high in the area of procurement, and medium in the financial area, mainly because the agency is embarking on significant growth (from 9 to 19 staff in one year). The institution has committed to strengthening both these areas with experts from its partners (tax auditors), and this work will be evaluated by the project's external auditor at the outset to determine whether the CCC's procurement policies permit it, as a private sector entity, to employ the private sector methods established in Annex 1 to the "Operational guidelines for procurements in nonreimbursable technical-cooperation operations" (document OP-639), in accordance with Appendix 4 to the Bank's policies. In addition, the project's first three procurements will be subject to ex ante review, given the level of risk, whereafter the determination may be made to change to ex post reviews on a six-monthly basis. Before beginning project contracting and procurement, the

executing agency will submit the project procurement plan to the MIF for approval. The plan will be updated annually or whenever a change occurs in the procurement methods and/or the good or service to be procured.

VI. MONITORING AND EVALUATION

- 6.1 **Baseline and monitoring.** The baseline for the most relevant economic and social indicators will be set by a consulting firm engaged by the executing agency, and compiled through ANSPE's Red Unidos network, using a series of social indicators (basic dimensions and achievements). The baseline will be prepared specifically by the comanagers of the network, who visit extremely poor families at least twice a year to evaluate their progress and access to solutions enabling them to overcome poverty. The information compiled by the comanagers will be supplemented with data from the project's private partners and other government agencies with access to poverty-related information in Colombia. As part of the monitoring and evaluation process, the MIF will work together with ANSPE to identify best practices in measuring well-being and poverty reduction.
- 6.2 **Project status reports.** The executing agency will be responsible for delivering project status reports (PSRs) to the MIF within 30 days after the end of each six-month period, or more frequently on such dates as the MIF may determine with at least 60 days advance notice to the executing agency. The PSRs will report on progress in terms of project execution, milestones met, results achieved, and their contribution toward the project's objectives as stated in the logical framework and other operative planning instruments. The PSRs will also describe project issues encountered during execution and outline possible solutions. Within 30 days after the end of the disbursement period, the executing agency will deliver a final PSR to the MIF that highlights results achieved, the sustainability plan, findings of the final evaluation, and lessons learned.
- 6.3 **Financial management and supervision.** The executing agency will establish and assume responsibility for maintaining effective financial accounts, internal control mechanisms, and record-keeping systems for the project, consistent with IDB/MIF financial management rules and policies. Since the diagnostic needs assessment (DNA) found a *medium* level of need/risk for the financial management section, supporting documentation for disbursements will be subject to *ex post* review on a *six-monthly* basis. Additionally, all disbursement requests will be reviewed by the auditor prior to their submission to the IDB/MIF. Since the executing agency is new, the IDB/MIF will provide training and advisory support to ensure that it understands the institution's rules and policies and structures execution around them. Furthermore, the IDB/MIF will use MIF contribution funds to engage consulting services to train the executing agency in

those financial management areas in need of strengthening, as identified in the DNA.¹⁰

- 6.4 The executing agency will engage independent auditors at project startup to conduct the ex post reviews of procurement processes and supporting documentation for disbursements over the life of the project. The scope of the reviews will include analysis of the financial reports to be prepared by the executing agency as part of its financial management. The cost of this engagement will be financed with MIF contribution funds, in accordance with Bank procedures. During project execution, The frequency of ex post reviews of procurement processes and supporting documentation for disbursements and the need for additional financial reports may be modified by the MIF based on the findings of the ex post reviews performed by the external auditors.
- 6.5 **Evaluations.** A midterm evaluation will be conducted once at least one half of the MIF contribution funds have been disbursed, to evaluate the execution process and the preliminary scope of the objectives and indicators established in the logical framework. The midterm evaluation will seek to answer the following questions: Were the planned activities executed? Were the expected outputs produced? What changes had to be made in the project design to meet the objectives? Were the targets established in the logical framework indicators met? What changes should be made to ensure that the project's expected outcomes and impact are achieved? A final evaluation will be conducted to evaluate project outcomes at the end of execution, or once 95% of the nonreimbursable technical-cooperation resources have been disbursed. That evaluation will seek to summarize the findings of the process of monitoring the solutions. It will perform a detailed analysis of the information compiled by the executing agency on the solutions developed and the beneficiary population. The final evaluation will highlight the outcomes and impacts achieved, project sustainability, and lessons learned. The questions to be answered by this evaluation include: Did the proposed mechanism for developing solutions work? Were the targets met in terms of solutions identified, developed, and scaled up? Did the project assist all the expected beneficiaries? Which solutions were effective in alleviating family poverty, and why? Which solutions will, or will not, be sustainable over time, and why? Has social innovation been positioned as a poverty-reduction strategy in Colombia? Both the midterm and final evaluations will be conducted by a specialized consultant selected and engaged directly by MIF staff at the Bank's Country Office in Colombia.

VII. BENEFITS AND RISKS

- 7.1 **Beneficiaries.** The direct beneficiaries of the project will be 15,000 households living in poverty and extreme poverty, who will benefit from the solutions identified and incubated by the model. Various social innovators and

¹⁰ <http://mif.iadb.org/projects/prjrissummary.aspx?proj=CO-M1091&lg=EN>

entrepreneurs will also benefit from an environment that facilitates the promotion of new social enterprises that can be scaled up. Lastly, an estimated 1,000 university students will benefit from the project through training activities and workshops in social innovation.

- 7.2 **Risks.** The main risk identified relates to the need for a firm commitment to the social innovation model by public and private actors, so that they will support financing of the model, establishment of the financing facility, and, in particular, scaling of the solutions. As measures to mitigate this risk, firstly, ANSPE as public coordinator of the Red Unidos network will facilitate financial resources and, in particular, direct access to enable the government's different social programs to adopt the solutions identified via the model. Secondly, the network of private partners of CCC and the partnership with the Association of Business Foundations of Colombia will provide a firm foundation for proposing an approach to social and entrepreneurial sustainability that will attract businesses and private foundations to finance and join the value chain of the model's solutions.

VIII. ENVIRONMENTAL AND SOCIAL CONSIDERATIONS

- 8.1 The project was approved by the Environmental and Social Review Committee and classified as category "C," with no specific comments.