

Technical Assistance Facility for Latin America and the Caribbean

MAPPING BEST PRACTICES IN SUPPLY CHAIN DEVELOPMENT (COLOMBIA)

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Sector: Corporate Social Responsibility

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One of the primary ways in which large companies can link their operations to local economic growth is by establishing local supplier/distributor development programs. To provide practical recommendations on implementing such programs, IFC's Technical Assistance Facility for Latin America and the Caribbean (LAC Facility) created a country map that describes and analyzes successful examples of such initiatives in Colombia, a country with a long history of private sector foundations providing small and medium enterprise (SME) support services. The country map consisted of three main sections:

1. A detailed analysis of seven cases of supplier/distributor value chains that had demonstrated high impact on local development;
2. General guidelines and specific recommendations for future programs of this type; and
3. Map of current donors and institutions working with SMEs.

One of the main findings of the country map was that while Colombia abounds with foundations working on projects related to SME development, most foundations focus on community-based projects that are not directly connected to their sponsoring company's business strategy. Thus, many foundations have yet to take full advantage of the value that sponsoring companies could add to SME development programs.

IFC was particularly interested in reviewing the SME development programs of its clients, and thus included the foundation associated with Bavaria, S.A. among its case studies. In 2002, IFC supported Bavaria, Colombia's largest beverage company, in a project to expand, modernize, and rationalize its operations. The foundation associated with Bavaria, and Fundación Mario Santo Domingo (FMSD), has worked particularly effectively with its "parent company." FMSD implemented a Distributor Training Program for Bavaria, focusing on distributors of the company's products. The goal of the initiative was to provide Bavaria's distributors with basic tools to improve their ability to develop and grow, thereby making Bavaria's distribution chain more efficient and competitive. Four hundred distributors in 13 cities in Colombia participated in the program in groups of about 25 distributors.

The program included "management dialogues," training modules, advisory services, and targeted loans. The management dialogues consisted of meetings in which distributors discussed their challenges and developed solutions themselves with the guidance of a facilitator. In Bavaria's estimation, this method was more effective in providing motivation to sustain changes than the "diagnostic to intervention" methodology common to most SME development programs.

Bavaria concluded that the Distributor Training Program led to better bookkeeping and cost savings practices among its distributors and improved their relationship with shopkeepers (Bavaria's "clients") and communities. The company hopes to expand the program to shopkeepers to help them improve sales of its products. The success of FMSD-Bavaria's program, along with the other case studies detailed in the country map, has been valuable to the IFC LAC Facility in designing subsequent supplier/distributor development programs.

The country map has enabled the LAC Facility to advise its clients in developing more effective and innovative supplier/distributor development programs. It has also proven to be a valuable tool in identifying issues and partners for technical assistance programs in Colombia.