

TECHNICAL COOPERATION PROFILE

JANUARY 5, 2009

I. BASIC PROJECT DATA

▪ Country	Colombia
▪ Program Name/Number:	Instruments and Fund to Promote Science, Technology and Innovation in Colombia. CO-T1124
▪ Team Leader/Members:	Carlos Guaipatín (SCL/SCT) Team Leader; Marco Kamiya (SCL/SCT); Javier Jiménez Mosquera (LEG/SGO); Claudia Ogliadoro (VPC/CGM), Juan Carlos Navarro (SCL/SCT); and Carolina Hernández-Cartagena (SCL/SCT)
▪ Beneficiary:	Colombia (Colciencias)
▪ Executing Agency and Counterpart:	Colciencias (Instituto Colombiano para el Desarrollo de la Ciencia y la Tecnología)
▪ Financing plan:	IDB: Italian Trust Fund for Information and Communication technology (IID) US\$134,000 Local counterpart in-kind: US\$25,000 Total: US\$159,000
▪ Execution and Disbursement Deadlines:	Execution: April 30, 2009 Disbursement: May 31, 2009

II. BACKGROUND AND PROBLEM STATEMENT

- 2.1 Colombia's rate of growth reached 7% in 2007, a higher rate than the Latin-American average and experiencing expansion for the seventh year. One of the major sources of growth has been increased investment, in particular, private investment. Private investment accounts for 74% of total investment and is equivalent to 20% of GDP. In contrast, investment in science, technology and innovation (STI) is very limited in Colombia (as a percentage of GDP in 2006 it was only 0.47%¹), and most of this investment comes from public sources. The problem appears to affect also and in particular small and medium enterprises (SMEs) that present low innovation activities and capacity and low use of information and communication technology².
- 2.2 In this context, concerns about the effectiveness of Colombia's STI policy instruments have arisen in the last few years and have led to new efforts on the part of the Government of Colombia to identify critical barriers and solutions. In

¹ Observatorio Colombiano de Ciencia y Tecnología (2007) "Colombia: Indicadores de Ciencia y Tecnología 2007" [<http://www.ocyte.org.co>]

² SMEs represent between 3.5 and 7% of the total number of firms in Colombia, and employ around 30% of the labor force (World Bank Policy Research Working Paper 4481, "Financing to SMEs in Colombia, January 2008).

general terms, one of the principal characteristics of Colombia's STI policy is its bias towards public direct support and support to activities on the "supply-side" - that is, universities, technological centers, training centers - but is lagging in terms of its ability to foster private investment in STI.

- 2.3 In this framework, the Government of Colombia has requested to the IADB technical assistance to improve the set of policy instruments available to promote STI, particularly to promote private sector and SMEs investment for innovation.

III. PROGRAM OBJECTIVE AND DESCRIPTION

- 3.1 The main objective of this Technical Cooperation (TC) is to support the Government of Colombia in the implementation of new financing mechanisms to foster private sector and SMEs investment in science, technology and innovation in Colombia. In order to accomplish those objectives, this TC has two main components:
- 3.2 **Component 1: Review and design of an integrated set of public co-financing STI Instruments.** This component will be developed on the basis of the following activities:
- a. Analysis and assessment of the proposals for the redesign of the main public policy STI instruments in operation. The work will be focused on the policies and activities of Colciencias, but will also include those of Fomipyme (Fund that was redesigned during the second half of 2007 to promote broader participation of Small and Medium Enterprises and specifically those with significant technological edge), SENA, Proexport, the Ministry of Agriculture. In this first report the consultant will present a set of relevant instruments (considering the concept of technological extension), for the counterpart and the private sector to select one/two.
 - b. Proposal for the design of new instruments to develop an integral set of policy instruments to support investment by the private sector and SMEs in STI. Based on the selected set of instruments the consultants will need to consider: (i) the complementarity of the current instruments available at the level of the whole national innovation system in order to avoid and correct existing duplications; and (ii) the main priorities, objectives and milestones for improving the competitiveness of the productive sectors as defined by the National Competitiveness Commission.
- 3.3 **Component 2: Design of a Specialized Fund for the Financing of STI.** The Government of Colombia, as part of the new draft law for Science, Technology and Innovation, is in the process of designing a Fund to finance STI programs, projects and initiatives, including basic and applied research, technological development, advancements in the knowledge and adoption of ICT, human capital formation. The objective of this component is to support the design of this Fund and its bylaws (reglamentación). The Fund will need to incorporate innovative

features aimed at providing incentives to private sector and SMEs participation to STI activities. The design of this fund and its bylaws will require specialized financial, legal and STI consultants, to assist with, among others:

- a. The structure, functions and characteristics of the Fund, including the rules and procedures for: allocating fund resources; budgetary allocation; promotion and dissemination of information; calls for proposals; support services; presentation of proposals; ex-ante technical and economic evaluation; selection of proposals; adjudication of proposals; monitoring and control; and evaluation and closure of projects.
- b. The organizational design of the Fund, including ICT systems and IT/software applications for management, monitoring, reporting, disbursing; financial management and accounting systems; evaluation systems, including indicators and reporting systems; identification of internal capacity-building needs.
- c. The experts in charge of the consultancy, including the Italian experts that will work on the implementation of Component 1 (see par. 3.2), will present results during a closed session in Colombia. Private and public stakeholders, at the political and technical level will participate. In this occasion, financial and technical support from Italy will be acknowledged and representatives from the Italian Embassy in Bogotá will be invited to participate.

IV. COST AND FINANCING

A. Budget

- 4.1 This total cost of this TC is estimated at US\$159,000. It is estimated that the Italian Trust Fund (IID), will provide US\$134,000 (81.0%) and US\$25,000 in kind (19.0%) be provided by the local counterpart Colciencias. A mix of local and international consultants is proposed.

Summarized Estimated Budget

Activities	Days / Number	Unit Cost (US\$)	Cost for Consult	Cost IID Fund	Counterpart (in-kind)	Total Cost (US\$)
I. Component 1:						
1 Senior Italian Consultant	40	500	20000	20,000		20,000
1 Senior International (Latin American)	30	400	12000	12,000		12,000
1 Local Consultant (individual or firm)	20	400	8000	8,000		8,000
II. Component 2:						
1 Senior Italian Consultant	40	500	20000	20,000		20,000
1 Senior International (Latin American)	30	400	12000	12,000		12,000
1 Local Consultant (individual or firm)	20	400	8000	8,000		8,000
III. Workshop in Bogotá						
Organization and Implementation				5,000	10,000.00	15,000
IV. Airfare						
Senior Italian Consultant	2	2000	4000	4,000		4,000
Senior Latin American Consultant	2	800	1600	1,600		1,600
IV. Per Diem/ Accomodation (days in the field)						
Senior Italian Consultant /1	50	360	18000	18,000		18,000
Senior Latin American Consultant /2	40	360	14400	14,400		14,400
V. General Coordination					15,000.00	15,000
VI. Reports: Publishing and Editing				5,000		5,000
VI. Contingencies				6,000		6,000
TOTAL				134,000	25,000.00	159,000

/1 Senior Italian Consultant: 80 total days of consultancy with 50 days in the field and 40 days of Home Study

/2 Senior Latin American Consultant: 60 total days of consultancy with 40 days in the field and 20 days of Home Study

V. EXECUTING AGENCY AND EXECUTION STRUCTURE

- 5.1 The Executing Agency is the Bank's SCL/SCT. The counterpart Agency for this program is Colciencias, Instituto Colombiano para el Desarrollo de la Ciencia y la Tecnología - the entity responsible for promoting science and technology operations through funding and policies in Colombia - which will coordinate efforts with the National Department of Planning, DNP which depends directly from the Presidency of the Republic.
- 5.2 The efforts and experience matured by the Italian central government, as well as by the local Institutions and in particular the Italian Regions, in the field of direct public support as well as incentives to private sector investment in STI can constitute a relevant reference model in the implementation of this technical cooperation. For this reason, while a significant part of the present technical cooperation needs to be implemented by local and Regional consultants (due to both the specificity of the Colombian context and the cost differential between local and international/European consultants), Italian consultants can provide expertise especially in Component 1 of this TC. In particular it is expected that this contribution will leverage on the Italian expertise in the field of public and private/venture support to innovative SMEs and to technological districts. In this framework **it is estimated that the Italian contribution will amount to about 25% of the total budget.** For this reason, this TC requested and was granted an exception (non-objection letter received from the Italian government)

regarding the minimum 50% “tied” applicable to goods and services of Italian origin under the stipulations of the Italian Trust Fund for Information and Communication Technology for Development.

VI. RESPONSIBILITY IN THE BANK

- 6.1 Technical Responsibility: The Science and Technology Division (SCL/SCT) will have the technical responsibility for the implementation of the project. The team leader for this operation is Carlos Guaipatin (SCL/SCT), email: cguaipatin@iadb.org. Phone: (202) 623-1835.
- 6.2 Responsibility for Disbursements: SCL/SCT will have the responsibility for project disbursements. All procurement and contract will be done following IDB regulations.

VII. ENVIRONMENTAL AND SOCIAL STRATEGY

- 7.1 There is no environmental or social risk associated with this operation. According to the “Environment and Safeguards Compliance Guidelines”, this operation was classified as “C” category.

VIII. CERTIFICATION

- 8.1 I hereby certify that this operation was approved for financing under the Italian Trust Fund for Information and Communication technology (IID) through a letter dated on October 6, 2008 and signed by Filippo Scammaca, Head of the Financial Cooperation Office of the Ministry of Foreign Affairs. Also, I certify that resources from the Italian Trust Fund for Information and Communication Technology for Development (IID) are available for up to US\$134,000 in order to finance the activities described and budgeted in this document. This certification reserves resources for the referenced project for a period of ten (10) calendar months counted from the date of signature below. If the project is not approved by the IDB within that period, the reserve of resources will be cancelled, except in the case a new certification is granted.
- 8.2 The commitment and disbursement of these resources shall be made only by the Bank in US dollars. The same currency shall be used to stipulate the remuneration and payments to consultants, except in the case of local consultants working in their own borrowing member country who shall have their remuneration defined and paid in the currency of such country. No resources of the Fund shall be made available to cover amounts greater than the amount certified herein above for the implementation of this TC Brief. Amounts greater than the certified amount may

arise from commitments on contracts denominated in a currency other than the Fund currency, resulting in currency exchange rate differences, for which the Fund is not at risk.

Original Signed

12/17/2008

Marguerite S. Berger
Chief
Grants and Cofinancing Management Unit

Date

IX. APPROVAL

Original Signed

12//17/2008

Flora Painter Montealegre
Chief
SCL/SCT

Date