

Technical Cooperation Abstract

I. Basic project data

Country: Colombia
TC Number and Name: CO-T1290. Services Innovation in the Official Postal Operator
Team: Matteo Grazzi (CTI/CCO), Team Leader; Rafael Anta (IFD/CTI), Alvaro Concha (CMF/CCO), Miguel Angel Orellana (FMP/CCO), Rodolfo Gastaldi (FMP/CCO) y Mónica Rojas (CAN/CCO).
Type: Client Support
Request: [Letter from Client](#)

Date of TC Abstract: 24 February 2012
Beneficiary: Colombian Postal Operator 4-72, attached to the Ministry of Information and Communication Technologies (MinTIC).
Executing Agency: Colombian Postal Operator 4-72
IDB funding requested: Italian Trust Fund US\$300,000
Counterpart funding: US\$100,000
Disbursement period: 18 months
Required start date: May 2012
Types of consultants: International firm
Prepared by Unit: Competitiveness and Innovation Division (CTI)
Unit of Disbursement Responsibility: CAN/CCO
Included in Country Strategy: Yes
TC included in CPD: Yes
GCI-9 Sector Priority: Institutions for growth and social welfare

II. Justification and Objective

About financial inclusion. In the last decade, several non-traditional banking institutions have deployed basic financial services in Colombia to broaden access to finance. However, the penetration of financial services in the country remains very low (30% to 50% of population) and substantially limited to urban areas.

In order to provide financial services to the unbanked, the Official Colombian Postal Operator, called 4-72, attached to the Ministry of Information and Communication Technologies (MinTIC) and regulated by the Communications Regulatory Commission, has created a business unit, with two purposes: to increase financial inclusion of the population and to diversify its sources of income, due to falling revenues from traditional postal services.

This unit offers national and international money transfers, but it is necessary to introduce technological and business model innovation to allow the improvement of its services and to develop new ones such as payments, savings, and microcredits, in a cost-effective manner.

About electronic commerce.

Electronic Commerce (E-Commerce) is in its early stages in Colombia. According to a recent report by Everis and the IESE Business School (2012), in 2011 per-capita online retail sales in the country reached only \$23, in comparison with \$169 in Chile, the regional leader, and with \$585 in the United States.

Although the figures clearly show that E-Commerce is still underdeveloped in the country, the Government of Colombia is promoting it in order to increase productivity and competitiveness of small and medium enterprises (SME). In fact, economic literature identifies various mechanisms through which e-commerce can positively impact the business process. For example, not only E-commerce can allow firms to access wider markets, through marketing or expanding the customer base, but it can also make business processes more efficient, by allowing cheaper and more targeted material sourcing (Clayton and Criscuolo, 2002; Criscuolo and Waldron, 2004).

However, two conditions are necessary for e-commerce development: access to electronic means of payment and the existence of a reliable and efficient logistics network. 4-72 is the Colombian postal operator with most coverage in the country, especially in rural areas, and may constitute a key player to provide mail and shipping services for those SMEs willing to step in the e-commerce arena. But, in order to offer these services of the quality necessary for e-commerce, it needs to improve its efficiency in terms of delivery, cost and trust.

Both financial inclusion and electronic commerce, together with the modernization of the Official Postal Operator 4-72 are high priorities of the development agenda of the Government of Colombia's (see CONPES 3620, Plan Colombia Vive Digital and Banca de las Oportunidades).

The objective of the project is to improve the diversity, efficiency and reach of 4-72's financial and shipping services through technological and business model innovation. In terms of additionality, this project would provide 4-72 with the knowledge and experience of the IDB in the fields of innovation in services, financial inclusion and ICT for SMEs.

The project team believes that the technical cooperation services associated to this project will have to be carried out by a single entity. The Italian trust fund for Technical Cooperation projects is tied to the use of Italian expertise in an amount of no less than 50% of the total project budget. If funding from the Italian Fund is confirmed, the project team, in coordination with the Colombian Postal Operator, will seek the "single sourcing" contracting of the Italian counterpart operator, Poste Italiane. The project team, and the Colombian Postal Operator, believes that Poste Italiane is uniquely placed to provide all the necessary consultancy services, due to its recent and successful process of market diversification and reorganization in Italy. Today Poste Italiane is one of the most innovative, efficient and diversified postal operators in the World, with a comprehensive set of services directed to the bottom of the pyramid.

The project team, and the Colombian Postal Operator, will follow the Bank's applicable policies and rules in pursuing the "single sourcing" option, in coordination with the Bank's Legal department and the Procurement Office.

The project is in line with several priority areas of the IDB Country Strategy for Colombia. In fact, the modernization of the OPO not only constitutes the institutional strengthening of an important player of the National Innovation System (SIN) (sector B), but contributes also to improve access to financial services (Sector C), through diversification, and to promote the export capacities of companies in the country (sector D).

III. Description of components

Component 1. Assessment of Customer Demand and Service Offering. The objective of this component is to assess the demand and offering of mail, shipping and financial services provided by 4-72, and to benchmark their effectiveness with World's best practices. This component will provide resources to finance the following activities: i) demand assessment of targeted customers: the unbanked and SMEs; ii) assessment of the strategy, business processes, operations, technology and financials of the mail, shipping and financial services; and iii) benchmark of the effectiveness of these services with best practices. These activities would help to understand the demand of services in targeted customer segments; to identify inefficiencies, bottlenecks, and possibilities for improving existing services; and opportunities for developing new services that would contribute to broaden financial inclusion and to enable electronic commerce in Colombia.

Component 2. Enhanced Services Proposal. The objective of this component is to define the requirements for improving mail, shipping and financial services, in terms of customer value and cost-effectiveness for 4-72, as well as to develop new high value services, through technological and business model innovation, in order to respond effectively to customer needs. The component will provide resources to finance: i) the definition of business processes, technology and operational requirements for providing high quality mail, shipping and financial services; ii) the definition of requirements for implementing new services, with a focus on introducing innovative business models and ICT solutions, and iii) definition of a roadmap for the implementation of the improvements to existing services and the development of new ones, including objectives, indicators of outputs and outcomes, dependencies among projects, risks of failure and mitigation strategies, budget, schedule, and other requirements for implementation.

Component 3. Support for the Implementation of the Enhanced Services Proposal. The objective of this component is to provide technical assistance for the management of key projects of the enhanced services proposal. The component would finance consulting services of experts in high-efficient postal services, financial services, and e-commerce, who would assist 4-72 in the implementation of key projects.

Component 4. Knowledge Transfer. The objective is to improve the capacity of 4-72 for keeping abreast on innovations and trends in the postal sector, and being able to identify opportunities for improving services and develop new sources of revenue, and transform them into actions. In order to achieve this goal, the component would finance the design and implementation of a knowledge transfer program, which would finance: (i) secondment of 4-72 staff in key positions to selected highly efficient and innovative postal operators, in some cases facilitated by a twinning arrangement with the foreign institution, (ii) assignments of practitioners from selected postal operators to provide technical or/and management advice, as well as coaching and mentoring; and (iii) the participation of 4-72 officials in technical and policy forums. These activities would contribute to knowledge transfer and also to better integrate 4-72 in the global network of postal sector experts.

IV. Budget (amounts in US\$)

The total funding of the project would be US\$400,000 of which the Italian Trust Fund for Technology and Innovation would finance US\$300,000 (75%), and 4-72 would finance US\$100,000 (25%).

Component	IDB ITF	Counterp	Total
1. Assessment of Customer Demand and Service Offering	50.000	0	50.000
2. Enhanced Services Proposal	70.000	0	70.000
3. Support for the Implementation of Key Projects	30.000	100.000	130.000
4. Knowledge Transfer	150.000	0	150.000
Total	300.000	100.000	400.000

V. Executing agency and execution structure

The execution and administration of this project will be responsibility of 4-72, who will have the technical assistance of the IDB, through the Competitiveness and Innovation division (CTI). The Ministry of ICT will participate in the execution of the project.

VI. Project Risks and Issues

Area	Risk	Mitigation strategy	Probability
Operational Risk	Difficulties in consultancies proposal implementation, due to insufficiency of financial resources to carry out resulting activities.	Commitment of 4-72 management to obtain the necessary resources for the implementation phases of project proposals.	Medium

Operational Risk	Lack of consultancies proposal implementation, due to lack of commitment and support from senior management and process leaders.	Involve senior management and process leaders in the design and development process of the project, highlighting the projects importance in the organization.	Medium
Operational Risk	The project implementation may affect the current 4-72 information system, resulting in system functionality changes that could impact the execution time of the project	The roadmap resulting in Stage 3 of the consultancy must identify the gap between the actual situation of the information system and the ideal situation that allows the project implementation. The result of this identification must generate an action plan that allows to eliminate the gap in a prudential period of time.	Medium

VII. Environmental and Social Classification

The project will not generate any significant social or environmental negative impacts. According with the toolkit program, this project was classified with “C”, meaning that no environmental assessment studies or consultations are required for this Category. The complete report is available at [Saveguard Screening Form](#).