

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK
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REGIONAL

INNOVATIVE TECHNOLOGICAL AND ICT SOLUTIONS AND APPLICATIONS FOR SOCIAL AND ECONOMIC INCLUSION OF THE MAJORITY

(RG-T1481)

PLAN OF OPERATIONS

<p>This document was prepared by the project team consisting of: Carlos Guaipatín (SCL/SCT) team leader, Luiz Ros (OMJ/OMJ); Claudia Ogialoro (VPC/GCM); Kai Hertz (VPC/GCM); Javier Jiménez Mosquera (LEG); and Carolina Hernández-Cartagena (SCL/SCT).</p>
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BASIC SOCIOECONOMIC DATA

For basic socioeconomic data, including information on public debt, please refer to the following address:

<http://www.iadb.org/RES/index.cfm?fuseaction=externallinks.countrydata>

INFORMATION AVAILABLE IN SCL/SCT FILES

[Terms of Reference for the program consultants.](#)

ABBREVIATIONS

IADB	Inter-American Development Bank
FSO	Fund for Special Operations
ICT	Information and Communication Technologies
LAC	Latin America and the Caribbean
MIF	Multilateral Investment Fund
OM	Opportunities for the Majority Initiative
OECD	Organization for Economic Co Operation and Development
PP	Pilot Project Proposal
SCT	Science and Technology Division
TC	Technical Cooperation
TOR	Terms of Reference

PLAN OF OPERATIONS

Innovative Technological and ICT Solutions and Applications for Social and Economic Inclusion of the Majority

(RG-T1481)

I. EXECUTIVE SUMMARY

Beneficiary:	Borrowing Countries members of the Bank	
Project team:	Carlos Guaipatin (SCL/SCT) team leader; Luiz Ros (OMJ/OMJ); Claudia Oglialoro (VPC/GCM); Kai Hertz (VPC/GCM); Javier Jiménez Mosquera (LEG); and Carolina Hernández-Cartagena (SCL/SCT.)	
Executing agency:	The Bank through SCL/SCT	
Financing:	Italian Trust Fund for Information and Communication Technology for Development (IID)	US\$300,000
	Total:	US\$300,000
Objectives:	To support the development and piloting of three to five technology-based innovations that improve the quality of life and social and economic inclusion of poor people in the Region	
Execution timetable:	As of project approval: Execution period: 18 months Disbursement period: 24 months	
Special contractual conditions:	None	
Exceptions to Bank Policies and Procedures:	None	
Environmental and social review:	No negative environmental impact has been identified from this regional technical cooperation. This technical cooperation is a category "C" project.	
Coordination with Other Donors:	At this time, there are no relevant actions of other donors to be coordinated. However, as part of the process for approving the pilot projects, country offices will be involved to raise any need of coordination.	

II. BACKGROUND AND JUSTIFICATION

A. Background

- 2.1 Traditionally, innovations¹ have been developed in rich countries, and targeted at high income markets. As the president of the International Development Enterprises,² Paul Polak, says: “90% of the people who design things work on the problems of the world's richest 5%, there is a huge need to design things that will create a market for the poorest 4 billion people.” The positive correlation between poverty and lack of innovations is well known. This correlation means that “poverty reduces the number of people with sufficient human and physical capital needed to produce innovations”,³ and not that poor people are less creative.
- 2.2 However, recent experience shows that a growing number of innovations are directed to the needs of the poor, and have the potential to create new development opportunities. Relatively simple innovations can have a dramatic effect on the way business and markets work in developing countries. Across Latin America and the Caribbean (LAC), mobile phones have opened new business opportunities among poor communities thanks to their affordability and simplicity. Cell phones have enabled fishermen to know ahead of time the port in which they would be likely get better prices for their catch, while small farmers have tapped into e-banking, facilitating their access to microcredit. Cell phone applications facilitate the tracking of disease outbreaks, improving coordination of relief after disasters.
- 2.3 Innovations that can make a difference in the way poor people live are not always related with sophisticated technology. Amy Smith is an inventor and MIT instructor dedicated to developing low-tech innovations that optimize limited resources and solve seemingly intractable problems in developing countries. She has designed ingenious low-cost devices such as a simple milling machine, a laboratory incubator that does not require electricity, and a very low-cost, low-maintenance device to test for microorganisms in water supplies. In most cases, once an innovation has been developed, the marginal cost of its application can be very low, making it accessible to the majority. At the same time a wider user base helps recovering the fixed costs of development. Several business models for large scale use of innovative applications and tools accessible to the poorest have proved sound and successful.⁴

¹ In this document we will use the definition of the OECD for innovation. Although the term “innovation” is often used to refer to new technology, many innovations are neither new nor involve new technology. The OECD defines innovations as “new products, business processes and organic changes that create wealth or social welfare”. The chief learning officer at Goldman Sachs defines it as “fresh thinking that creates value”. Cited in The Economist, October 13th-19th 2007. A special report on innovation.

² IDE is an international non-profit organization that supports poor farmers in developing countries.

³ Maloney, W. Perry, G. et. al (2006). “Poverty Reduction and Growth”. The World Bank. Pg. 122.

⁴ A simple Google search for “poverty+innovations” shows countless good examples in this regard.

- 2.4 Despite the benefits these innovations can bring to poor communities throughout the region, they are under-supplied because of their “public goods” nature: the social benefits of these innovations are clearly far greater than the returns for the innovators, leading to under-investment. This circumstance justifies the need for public or external support that can provide the necessary incentives to the development of these much needed innovations. This TC will provide incentives and financial support to private firms and other institutions to explore new technological applications that address relevant problems of the poor.

B. Bank Strategy

- 2.5 Support for the proposed TC is consistent with three Bank Strategies: (i) the Strategy for Poverty Reduction and Promotion of Social Equity; (ii) the Competitiveness Strategy; and (iii) the Science and Technology for Development Strategy. These strategies, respectively, emphasize the importance of: (i) the productive and social inclusion of the poor; (ii) the speeding up of technological improvement in small enterprises and poor producers; and (iii) the emphasis on building capacity in critical areas, not only those related to competitiveness but also to social issues such as poverty, violence, and health care.

C. Coordination with other entities

- 2.6 At this time, there are no relevant actions of other donors to be coordinated. However, as part of the process for selecting the projects, country offices will be involved to assist in any need of coordination that might arise.

D. The experience of the Bank

- 2.7 The Bank possesses demonstrated experience for the purpose of this TC. The Bank has learned how to promote innovation among firms and institutions through the preparation and execution of science and technology operations.⁵ Likewise, the Bank also has experience in the open call for proposals mechanism, mainly through the Multilateral Investment Fund (MIF), which is the sponsor of the ICT Innovation Program for E- Business and the development of SME (ICT4BUS). The ICT4BUS Program provides funds for the development of pilot projects that demonstrate the technical and economic viability of innovative ICT solutions and services adapted to the needs of SMEs. During the preparation of the present TC, the team has continuously consulted the ICT4BUS team to maximize the use of lessons learned and the synergies between the two initiatives.

⁵ Among the most recent loan operations in this field are: Argentina (AR-L1012), Paraguay (PR-0126), Venezuela (VE-0112), Guatemala (GU-0135), Uruguay (UR-0110), Peru (PE-0203) and Nicaragua (NI-0147). Two new operations are currently being prepared: Panama (PN-0158) and Uruguay (UR-L1030).

E. The additionality of this project

2.8 This TC presents additionality in three main aspects:⁶

- a. The objective. Incentives are specifically designed at targeting innovations with a positive impact on social and economic inclusion of the poor in LAC, a specific focus that adds to more “traditional” programs of innovation support.
- b. The target institutions. Most initiatives in LAC have been focused on non-profit institutions, based in the region. However, since most innovations come from the private sector of developed countries,⁷ this TC encourages the participation of the private sector, including private sector from donor member countries of the Bank.
- c. Possible scaling-up with the support of the Opportunities for the Majority Initiative (OM). This TC is not a one-shot effort but a step linked to the OM. Those projects that will prove their positive impact on inclusion through the piloting supported by this TC will have access to further support by OM.

III. THE PROGRAM

A. Objectives

3.1 The general objective of this technical cooperation is to stimulate the development of innovations that improve the quality of life and economic inclusion of poor people in Latin America and the Caribbean. The specific project objective is to support the development and piloting of three to five technology-based innovations that improve the quality of life and social and economic inclusion of poor people in the Region.

B. Description of Project Activities

3.2 This TC will require the services of a consultant that will support the team on a daily basis especially on the following activities: (i) disseminating this TC; (ii) screening of the received pilot project proposals (PPs); (iii) monitoring of the implementation activities carried out by the winning PPs; and (iv) preparing a report on the results achieved by this TC. The consultant will have proven

⁶ These three aspects make this TC different from the ICT4BUS Program, and contribute to complement its efforts. The ICT4BUS is not focused on the direct needs of the poor (but in the competitiveness of small firms), gives stronger economic incentives to innovation among non-profit institutions (but not to the private sector), and is not coordinated with the OM Initiative for scaling up pilot projects.

⁷ In 2006, 94% of global R&D spending was made by North America, Europe and Japan (Source: Booz Allen Hamilton Database. Cited in: The Economist, October 13th-19th 2007. A special report on innovation). In 2000, private industry in the US performed 75% of R&D and financed 68% of it (source: National Science Board, 2002. Cited by: Scotcher, S. (2004). Innovation and Incentives. MIT Press.)

expertise in the field of science and technology, as well as working knowledge of multilateral institutions.

3.3 The execution of this TC will build upon and complement the execution of TC RG-T1489, “Innovative solutions for the poor” financed by the Bank’s Fund for Special Operations (FSO, see also par. 4.1 below). In particular, while RG-T1489 will fund the initial phases of the program, that include the launch of the PPs call during the Bank’s Annual Meeting in Miami (April 2008), and the start-up work of the consultancy that, under the supervision of the project team, will prepare the forms, the evaluation grid and criteria - the present TC will support the second phase – that includes the award of the grants, and execution of the activities outlined in the PPs. Both TCs will provide funding for the grants. In particular the execution of this TC will be composed on the following consecutive activities:

- a. Application for funding: applicants will submit their PPs electronically to the Bank, through a dedicated web page.⁸ Each applicant may present only one proposal. PPs will have to contain the following information:
 - i. Institutional information: relevant experience of the applicant institutions/firms, and profile of the main specialists involved.
 - ii. Problem that the PP will address: including description and estimated number of potential beneficiaries.
 - iii. Objective of the PP: explaining how the PP will contribute to the objective of this TC.
 - iv. Budget: including expenses that will be covered with counterpart resources.
 - v. Indicators of monitoring and impact.
- b. Screening and selection: the project team will screen the PPs, if necessary with the support of external experts and country offices, and retain, for further processing, only those that meet program criteria. PPs that are not consistent with TC objectives and requirements will be excluded. The project team will select up to 20 PPs to present to a high-level technical committee (chaired by an Italian scientist).⁹ The selection criteria will include the following aspects:
 - i. **Developmental impact and focus on the majority.** Projects should be conducive to positive economic or social development effects for the majority. They should serve the need for products and services of needy communities and/or create wealth or provide benefits for them. PPs must

⁸ It will be created during the execution of RG-T1489.

⁹ This Committee will be composed by seven distinguished experts in academia, and in the venture capital, non-profit and private sectors.

provide evidence of the value added for the target population, and of the contribution to the inclusion of the majority in economic growth and social development. Priority will be given to projects with solutions to facilitate the access of poor communities to basic services.

- ii. **Additionality.** Projects should demonstrate additionality in areas such as: financial and/or institutional strengthening; new access to products and services; regulatory risk mitigation; environmental, social, health and safety improvements; catalytic demonstration effect; and corporate governance.
 - iii. **Scalability, replicability and sustainability.** Projects should have the potential for being replicated or adapted for broader needs inside the country or beyond. PPs will have to provide information and forecasts on project sustainability and self-sustainability in the medium-longer run.
 - iv. **Degree of innovation.** Projects should be innovative, whether for a specific market or country or the region. Innovations can include new ways of doing business and accommodating the needs of the majority. Innovations may entail the engagement of a private sector entity in a significant role, use of a hybrid or novel business model or process, or partnerships or new relationships with a majority community, NGOs, subnational governments or the public sector for the benefit of the majority.
 - v. **Environmental and social impacts.** Projects must be designed to have positive environmental and social impacts as sought under the relevant IADB's policies.
 - vi. **Institutional capability and quality of the PPs.** Consideration will be given to elements such as institutional, financial and technical capability of the applicant organization, as well as to the quality (self-consistency, level of detail, clarity and exhaustiveness) of the submission.
 - vii. **Partnership with local organizations, institutions, firms, or NGOs.** Priority will be given to PPs that envisage a partnership for implementation and piloting on the ground with local firms, organizations, NGOs.
 - viii. **Counterpart co-funding.** PPs being already funded by another IADB Group source, such as the MIF, will not be considered.
- c. The committee will select up to five PPs to be considered for funding.
 - d. The Bank will make the needed final check-ups on the proposing institution of the selected PPs. This will be done, when necessary, with the support also of the country offices.
 - e. Signing of contracts. The Bank will sign a contract for the execution with the awardees.

- f. An award event, celebrating and presenting the selected proposals, will be organized.
- g. Monitoring and evaluation. Every four months the beneficiary entity will have to submit an execution status report (including results indicators) to the Bank. Project execution will not last more than 12 months. After completion of the agreed execution period, awardees will present a complete report on the execution, including expenses and results.

3.4 Activities and Timeline

- a. Launch of an open call for proposals during the 2008 IADB Annual Meeting in Miami (April 2008). Deadline for submissions will be set for early July 2008.
- b. Submission and screening of PPs (April-July 2008).
- c. Selection of PPs (July-August 2008).
- d. Awards for winning projects (October, 2008). The ceremony could be at the 11th Microenterprise Forum, Asunción, Paraguay, October 8-10, 2008.
- e. Implementation of PPs (October, 2008 – October 2009).
- f. Preparation of lessons learned (April 2008 - December 2009).

IV. COST AND FINANCING

A. Description, composition and sources of funding

- 4.1 This TC will be financed by the Italian Trust Fund on Information and Communication Technology for Development (IID Fund), for an amount of US\$ 300,000. This TC will be complemented by another TC (RG-T1489), funded by the IADB's Net income from the Fund for Special Operations, that will focus on innovations in sectors other than ICT. Both TCs have the same general objective and execution mechanism. The following table presents the budget of this TC:

Table IV-1 Summary Cost Table

Activity	Unit cost (US\$)	Total (US\$)
Grants for PPs (3-5 projects)		260,000
Travel accommodation -perdiem of four members of the Scientific Committee to the award event	2,400	9,600
Travel of three winning teams to the award event	2,300	6,900
Logistics for the award event		1,600
Consultant (40 days) to support the team	260	10,400
Synthesis of <i>lessons learned</i> (consultant)		10,000
Publication & advertisement of Request for Proposals		1,500
TOTAL		300,000

B. Sustainability

- 4.2 This TC will finance a one-time contest, with no additional contests of this type foreseen at present. However, the results of this TC will be sustainable in two ways: (i) as a result of this TC, the Bank will learn how to promote innovative solutions for the poor, which will be useful for Bank's initiatives such as MIF, OM and private sector operations; (ii) those PPs successfully implemented could be scaled up and profitable with further support from OM.

V. PROGRAM EXECUTION

A. Program execution and administration

- 5.1 This TC will be managed by IADB's Science and Technology Division (SCL/SCT) in collaboration with the OM. SCL/SCT will have the basic and technical responsibility.

B. Procurement of goods and services

- 5.2 All consulting services required for execution of this program and its projects will be hired in accordance with Bank procedures, standards, and policies for the procurement of goods and services; documents GN-2349-7 and GN-2350-7 (see also Annex III with the Procurement Plan).

C. Execution and disbursement schedule

- 5.3 The execution period for this operation will be 18 months, and the disbursement period will be up to 24 months from project approval.

D. Monitoring and evaluation

- 5.4 VPC/PDP in close collaboration with CSC/CBR will have the responsibility to monitor project activities. Special emphasis will be given to the timely execution of the activities described in the PPs. Due to the nature of this TC, no final evaluation is considered necessary.

VI. PROGRAM BENEFITS AND RISKS

A. Benefits and Beneficiaries

- 6.1 This TC will support the piloting of three to five innovative projects focused on the needs of the poor. As a result, and in addition to the value of the pilot projects, the Bank and the outer community will obtain lessons learned about how to stimulate these new markets, and how to enhance partnerships with local organizations, municipalities, NGOs, and technology-based entrepreneurs. These lessons would be then scaled-up by the OM that would provide follow-up funding for those projects that will have proved effective and sustainable solutions for the poor.

B. Risks

- 6.2 This TC presents two main risks. The first one is related to the number of PPs that could be submitted. If this number was too high, it could overwhelm the screening capacity of the team. To mitigate this risk, consultant days have been budgeted to support the team. Alternatively, the number of PPs presented could be too low. To mitigate this risk, this TC will be launched at a high exposure event (the IADB Annual Meeting), and the team will disseminate this initiative through specialized networks identified in LAC (The ICT4BUS initiative has a data base of entrepreneurs networks with two thousand members).
- 6.3 The second risk is associated with the outcome of projects implementation. This TC is about supporting initiatives that are risky by nature; otherwise they would have easy access to other sources of funding, such as the private capital market. Therefore, the TC does not expect all PPs to succeed, but enough so to justify the Bank's investment. Nevertheless, in order to mitigate this risk, the team has envisaged three instruments: (i) the mentoring by the high-level technical committee, that will contribute to the selection of the PPs; (ii) consultant time to monitor and support the execution of the activities; and (iii) the careful definition and execution of the eligibility and selection phases, that will rely on the extensive experience of the Bank in this field of projects (see par. 2.7 above).

VII. ENVIRONMENTAL AND SOCIAL ISSUES

- 7.1 By its nature, the pilot project described under this TC will not have a negative direct environmental or social impact. It is expected to generate high social returns by addressing specific needs of the poor. This TC does not include any activity that could generate adverse environmental or social impacts, and is a category C project. Finally, the plan of operations will include environmental concerns as part of the criteria to select the pilot projects.

**INNOVATIVE TECHNOLOGICAL AND ICT SOLUTIONS AND APPLICATIONS FOR SOCIAL
AND ECONOMIC INCLUSION OF THE MAJORITY**

RG-T1481

VIII. CERTIFICATION

- 8.1 I hereby certify that this operation was approved for financing under the Italian Trust Fund for Information and Communication Technology for Development (IID) through a letter from Filippo Scammacca, Head of the Financial Cooperation Office of the Ministry of Foreign Affairs of Italy, dated on February 4, 2008. Also, I certify that resources from the Italian Trust Fund for Information and Communication Technology for Development (IID) are available for up to US\$300,000 in order to finance the activities described and budgeted in this document. This certification reserves resources for the referenced project for a period of eleven (11) 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. 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 Plan of Operations. 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)

02/28/2008

Marguerite S. Berger

Date

Chief

Grants and Cofinancing Management Unit

ANNEX I
INNOVATIVE TECHNOLOGICAL AND ICT SOLUTIONS AND APPLICATIONS FOR SOCIAL AND ECONOMIC
INCLUSION OF THE MAJORITY
(RG-T1481)

LOGICAL FRAMEWORK

Summary	Performance Indicators	Means of Verification	Assumptions
Goal Statement	Goal/Impact Indicators	Means of Verification	Assumptions
The general objective is to stimulate the development of innovations that improve the quality of life and economic inclusion of poor people in Latin America and the Caribbean.	<p>After 24 Months of initiating the TC:</p> <ol style="list-style-type: none"> At least 3 pilot projects with solutions to needs of the poor have been executed. The Bank has obtained lessons on how to stimulate innovative solutions to needs of the poor. 	Final report	The interest of the private and public sector in developing innovative applications to solve needs of the poor is high.
Components/Outputs	Components/Outputs Indicators	Means of Verification	Assumptions
1. Dissemination of the Technical Cooperation.	After 3 months of initiating the TC, at least 50 PPs have been presented to the Bank.	Webpage of the TC.	The interest in developing innovative applications to solve needs of the poor is high.
2. Selection of the pilot project proposals (PPs)	After 6 months of initiating the TC, at least 3 PPs have been selected.	<p>Final report.</p> <p>Webpage of the TC.</p>	The interest in developing innovative applications to solve the needs of the poor is high.
3. Supervision of the implementation activities carried out by the winning PPs	After 18 months of initiating the TC, the execution of the PPs selected has concluded	<p>Final report.</p> <p>Webpage of the TC.</p>	The interest of the firms and/or institutions that presented the PPs selected is maintained.
4. Preparation of a report with lessons learned.	After 18 months of initiating the program a report with lessons learned has been prepared.	<p>Final report.</p> <p>Webpage of the TC.</p>	The implementation and completion of components 1, 2 and 3 is successful.

ANNEX II

INNOVATIVE TECHNOLOGICAL AND ICT SOLUTIONS AND APPLICATIONS FOR SOCIAL AND ECONOMIC INCLUSION OF THE MAJORITY (RG-T1481)

DETAILED BUDGET

	Unit (days/travel)	Unit price (\$)	Total (\$)
Grants for PPs (3-5 projects)			260000
Travel			16500
Travel - (4) Scientific Committee	4	2400	9600
Per diem (2 days)	8	176	1408
Tickets	4	2048	8192
Travel - (3) winning teams	3	2300	6900
Per diem (2 days)	6	176	1056
Tickets	3	1948	5844
Logistics for the award event			1600
Consultant to support the team	40	260	10400
Synthesis of lessons learned			10000
Consultant fees	27	260	7020
Per diem	3	176	528
Tickets	1	2416	2452
Publication & advertisement of Request for Proposals			1500
TOTAL			300000

ANNEX III

INNOVATIVE TECHNOLOGICAL AND ICT SOLUTIONS AND APPLICATIONS FOR SOCIAL AND ECONOMIC INCLUSION OF THE MAJORITY (RG-T1481)

PROCUREMENT PLAN

Main project procurements	Amount in US\$	Financing source		Procurement method	Prequalification	Request for Proposal	Status
		IADB%	Local/other		Yes/No	Tentative publication date	
Procurement of consultant services (GN-2350-7)							
Consultant services	10,400	100%		IICC ¹	No	N/A	Pending
Synthesis of <i>lessons learned</i> (Consultant).	10,000	100%		IICC	No	N/A	Pending
Procurement of works and goods (& other services) (GN-2349-7)							
Publications	1,500	100%		“Shopping”	No	N/A	Pending

¹ IICC: International Individual Consultant selection based on Qualifications.