



# Knowledge and Capacity Building Products (KCP) Proposal

## Advisory Services

### I. General Information

#### KCP Title:

Strengthening Financial and Capital Supervisory Agency

#### OPUS Number:

CO-T1268

#### Date of Proposal:

7/19/2011

#### New KCP:

☒ Yes ☐ No

#### Linked to project:

#### Team Leader / Unit:

CONCHA PERDOMO, ALVARO - CMF/CCO

ICF/CMF

#### Joint Proposal:

☐ Yes ☒ No

If yes, identify units:

- (1) -SELECT- (2) -SELECT- (3) -SELECT-  
(4) -SELECT- (5) -SELECT- (6) -SELECT-

**Proposed amount, without counterpart** in USD equivalent (enter whole number only):

USD 200000

Must match total of budget table on section VI, and project amount in OPUS

**Proposed amount including counterpart** (if applicable) in USD equivalent:

USD 250000

**Unit of Technical Responsibility:**

ICF/CMF

**Unit of Disbursement Responsibility:**

CCO

#### Execution:

☐ Bank-executed ☒ Recipient-executed

#### Letters of Request available (or equivalent)

☒ Yes ☐ No

#### Non-objection available

☒ Yes ☐ No

IDBdocs#:

35828425

IDBdocs#:

35876996

**Execution period (months):**

6

**Disbursement period:**

9

**Required Start Date:**

9/1/2011

#### Executing Agency:

Superintendencia Financiera de Colombia

#### Executing Agency description and capacity:

In 2005, the Superintendencia Bancaria (SB) merged with the Superintendencia de Valores (SV), giving rise to the Superintendencia Financiera de Colombia (SFC). This new integrated supervisory framework seeks to ensure a stable, efficient and competitive financial system, providing an environment of consumer protection in financial services and promoting equity markets.

Additional information - If necessary, in an appendix please provide further details that you consider relevant to describe the Executing Agency. In this case save it in IDBDOCS and record its number immediately after the "equal" sign on the link below (\*):

<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?docnum=36238075>

#### Country of Origin of Executing Agency:

Colombia

**Contact in the Executing Agency:**

Juan Pablo Arango, Superintendente Delegado Adjunto para la Supervisión Institucional

**E-mail address:**

jparango@superfinanciera.gov.co

**Please provide justification why the Bank is the Executing Agency:****Beneficiary Countries** (even if it is Regional, please specify the countries in which the work will be carried out):

- |                                     |   |                                    |  |
|-------------------------------------|---|------------------------------------|--|
| <input type="checkbox"/> Argentina  | <input type="checkbox"/> Bahamas            | <input type="checkbox"/> Barbados  | <input type="checkbox"/> Belize              |
| <input type="checkbox"/> Bolivia    | <input type="checkbox"/> Brazil             | <input type="checkbox"/> Chile     | <input checked="" type="checkbox"/> Colombia |
| <input type="checkbox"/> Costa Rica | <input type="checkbox"/> Dominican Republic | <input type="checkbox"/> Ecuador   | <input type="checkbox"/> El Salvador         |
| <input type="checkbox"/> Guatemala  | <input type="checkbox"/> Guyana             | <input type="checkbox"/> Haiti     | <input type="checkbox"/> Honduras            |
| <input type="checkbox"/> Jamaica    | <input type="checkbox"/> Mexico             | <input type="checkbox"/> Nicaragua | <input type="checkbox"/> Panama              |
| <input type="checkbox"/> Paraguay   | <input type="checkbox"/> Peru               | <input type="checkbox"/> Suriname  | <input type="checkbox"/> Trinidad & Tobago   |
| <input type="checkbox"/> Uruguay    | <input type="checkbox"/> Venezuela          |                                    |  |
- 
- |                              |                              |                              |                              |                                   |
|------------------------------|------------------------------|------------------------------|------------------------------|-----------------------------------|
| <input type="checkbox"/> CAN | <input type="checkbox"/> CCB | <input type="checkbox"/> CID | <input type="checkbox"/> CSC | <input type="checkbox"/> REGIONAL |
|------------------------------|------------------------------|------------------------------|------------------------------|-----------------------------------|

**Beneficiary entity:**

Superintendencia Financiera de Colombia

**Sector:**

Capital Markets

**II. KCP Type****Origination**☒ **Originated in client: KCP is the result of clients'**

The client may require special studies to address a current public discussion, advice to draft laws or regulations, support for policy analysis and formulation, capacity improvement for the execution of a recently approved program, analysis of a public policy or private sector problem, or generate consensus around a specific issue.

☐ **Originated in Bank: KCP is the result of initiatives generated within the Bank**

These initiatives may include deepening the Bank's knowledge in new subjects, interpreting new economic and social phenomena, generating new databases and diagnostic tools, or organizing a seminar, workshop, a regional policy dialogue, training, a publication.

**Scope**☒ **Short term purpose**

Demand for this KCP has an immediate, short-term scope—possibly drawing from knowledge and experience that is readily available.

☐ **Forward-looking purpose**

Demand for this KCP serves a longer-term, forward-looking purpose that may require the accumulation of new knowledge and experience. These products usually require a longer deployment time.

### III. Relation to IDB's Institutional Priorities

1. Social Policy for Equity and Productivity
    - ☐ Targeted Poverty Programs
    - ☐ Labor markets
    - ☐ Education
    - ☐ Health
    - ☐ Gender and Diversity
  2. Infrastructure for Competitiveness and Social Welfare
    - ☐ Basic services: Access to water and sanitation
    - ☐ Energy
    - ☐ Transportation
  3. Institutions for Growth and Social Welfare
    - ☒ Financial services
    - ☐ Fiscal efficiency and sustainability
    - ☐ Citizens security
    - ☐ Innovation
  4. Competitive Regional and Global International Integration
    - ☐ Trade and Integration
    - ☐ Infrastructure
    - ☐ Migration
  5. Protecting the Environment and Responding to Climate Change
    - ☐ Environment
    - ☐ Climate Change
    - ☐ Rural development and forestry
- 
6. Cross-cutting
    - ☐ Macroeconomic Analysis

3.1 Explain how the knowledge produced with this KCP will be used (policy advice, institutional strengthening, input for programming and strategy, pipeline development, input for other KCPs):

As an action to promote the financial system development and financial inclusion improvement in Colombia, the Technical Cooperation resources will be used to diagnose the current state of the SFC's technological platform to contribute to the strengthening process of the Risk-Based Supervision strategy, adopted by the entity.

**IV. OBJECTIVES, EXPECTED RESULTS AND ACTIVITIES** (Maximum 4 pages for this section. Please do not change font size, line spacing or margins)

**4.1 Describe the challenge that this KCP addresses (e.g. policy, institutional, technical):**

Before the fusion of the SB and the SVC, each of these entities had different rules, formats and technological instruments according to its supervision objectives. Through those systems, each entity received, stored, processed and utilized the data sent by the supervised companies in order to develop their missionary functions of control and supervision of Colombian banking system and stock market. The main problem is that the fusion has failed to unify the operating and information data systems management, neither to consolidate a single data processing platform for reception, storage and data processing levels.

This situation became more critical after the SFC decided to transform their control processes, following the procedures adopted by a growing number of worldwide financial supervision agencies, which have modified their caution models, adopting the focus of Supervision Based on Risks (SBR). This new focus allows these control entities to evaluate the financial company risk's profile in an integral and harmonious way, according with the better international practices.

In the case of the SFC, this decision has been supported by the development of an Integral Framework of Supervision (IFS), which has been designed to allow the evaluation of the companies' inherent risks on their significant activities or their main business lines. In this way, the processes of evaluation, measurement and control of the risks adopted by the entities are assigned to a Profile of harmonious risk related to the capital and the benefits generation process. With the integral operation of this procedure, the SFC will be able to assign in a more efficient way the resources of supervision, concentrating its efforts on entities with higher risk profiles. Therefore, to implement the focus of SBR became a fundamental axis to comply the SFC's missionary objectives and, for that purpose, it is necessary that the entity strengthens its human resource analytical capacity and optimizes the use of its technological tools.

Similarly, to safeguard the stock market's equity, efficiency and transparency, it is necessary that SBC develops an advanced financial markets monitoring system in order to detect unadjusted conducts against the current regulation. That system must be supported in an integrated data processing and communication platform and have an optimal operation processes. This should allow the detection of privileged information use, the handling of prices or volumes, and the abusive practices of the market's users.

The development and the complexity that have reached the financial innovations, as well as the diverse activities that perform the credit entities and the capital market companies, are the main reason why SFC requires to design, develop, implement and execute an intensive process of improvement of its technological infrastructure, knowledge and specialization.

The impossibility to drive these efforts in an integral way and especially the difficulties that SFC had to face regarding the use of a diverse fragmented and obsolete data processing platform, justifies the development of the current project.

**4.2 Describe lessons learned from previous similar KCPs:**

**There is no similar KCP experience that we can register on this field.**

**4.3 State the KCP objectives:**

**The specific objectives of the program are:**

**a. Diagnosis (analysis and elaboration of proposals for software development and investment required for its implementation) to optimize the platform for ICT inside the SFC in order to strengthen operational and institutionally to the entity. This assessment will be the main input of an credit operation that will be structured in 2012, with a value of us \$10 million, to finance the investments needed for the adaptation of the computing platform of the SFC**

**b. With the development of technical cooperation and loan operations generate the adequate technological infrastructure to implement risk-based supervision.**

**4.4 State the KCP expected results:**

**The diagnosis of current status and necessary tasks to achieve the strengthening of the SFC's ICT platform.**

4.5 Provide a description of the main outputs and related activities expected to be carried out:

**(i) To prepare the current inventory of SFC's hardware and software, (ii) To propose a strategic plan for the technological platform modernization, comprising: objectives, projects, implementation schedule, required investment (software and hardware), responsible individuals and guidelines to ensure business continuity, (iii) To prepare the terms of reference for hiring technical design, constructing and implement the new entity's technology platform, (iv) To propose the management information policies for the entity.**

**Responsible and Plan of Execution:**

**The responsibility of the project will be under the Delegated Superintendent for Institutional Supervision, Juan Pablo Arango, who will assign a staff person in order to coordinate with the others Superfinanciera's dependences the procurement process and the development of the consultancy.**

**The method of selection will be based on quality and cost according to the Bank policy GN-2350-7 (or subsequent) and based on the proposal request document harmonized with the Comisión Intersectorial de Contratación Pública - CINCO, WB and IADB, through the system SAGA (IADB's Administration and Management Procurement System ). The Bank's procurement review will be ex-ante.**

4.6 Identify the main audience or expected users of knowledge generated or disseminated by this KCP:

**The main user of the KCP results will be the Superintendencia Financiera de Colombia.**

Additional technical information - If necessary, in an appendix please provide further technical details that you consider relevant to evaluate the technical quality of this KCP. In this case save it in IDBDOCS and record its number immediately after the "equal" sign on the link below (\*):

<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?docnum=>

**V. KCPs RESULTS FRAMEWORK.** Main Outcomes and Outputs.

5.1 Results Matrix:

Please, in the first column fill in each outcome indicator with the relevant outputs.

Results Matrix									
	Unit	Baseline		Year 1		Year 2		Expected Completion Date	Data Source
		Value	Year	Planned	Actual	Planned	Actual		
<b>Outcome 1 (Number of diagnosis used for the informatic reestructuration of the SFC.)*</b>	Studies	0	2011	1				3/30/2012	SFC
Output 1 (A document of the current inventory of Hardware and Software of the organization.)	Document	0	2011	1				12/30/2011	SFC
Output 2 (A document of the strategic plan for the technological platform modernization, comprising at least: objectives, projects, implementation schedule, required investment (software and hardware), responsables and guidelines to ensure business continuity.)	Document	0	2011	1				3/30/2012	SFC
Output 3 (A document of terms of reference for hiring the technical design, construction and implementation of the new entity's technological platform.)	Document	0	2011	1				4/30/2012	SFC
Output 4 (A document of the policy proposal for the management of the entity's information. )	Document	0	2011	1				5/31/2012	SFC

Please note that this outcome and output indicators will be the input for the PMR and will be monitored in the Quarterly Business Review.

\* The measurement of this indicator will be carried out verifying that in the official documents of the SFC's redesign technological platform proposal, be indicated that the design of that proposal is based on the diagnosis carried out by the Technical Cooperation financed by the BID with Swiss Fund resources.

## VI. BUDGET (\*):

6.1 Budget should be presented by outputs or groups of outputs (for example: three publications, three conferences, seminars or workshops; one database; one survey; two training courses), and the relevant activities. Total available funds from counterpart sources should be reported. Use whole numbers only.

Costs	Project Cost – IDB Financing					Counterpart Resources	Other Financing
	Year 1			Year 2	Total request		
	Consult.	Travel (consultants only)	Other				
Output 1 (Component 1. Informatic Diagnosis of the SFC)	200,000	0	0	0	200,000	50,000	0
Consulting services	200,000	0	0	0	200,000	50,000	0
Sub-total	200,000	0	0	0	200,000	50,000	0
	Monitoring				0	0	0
Total	200,000	0	0	0	200,000	50,000	0
Approximate value of in-kind counterpart							

(\*) More details may be required by donors (e.g. consultant cost per day).

## 6.2 Describe the source and type of counterpart resources:

Own resources of the SFC, some of them represented in-kind like personnel time dedication and general services around the operation of the consultancy. At this time, we don't have the exact amount of in-kind counterpart.

## 6.3 Types of Consultants: Firms or individuals and main activities/deliverables:

Type: Individual or Firm (if available)	Nationality (if available)	Estimated Cost	Main Activities / Deliverables
Firm	Colombian	200,000	Informatic diagnosis studies.

## VII. Bank costs:

For the Bank's internal purposes, please provide information in Bank costs associated with the execution of this KCP:

### 7.1 Bank staff participation in KCP:

Staff Name	Bank Unit	FTEs
CARDENAS GARCIA, CLAUDIA MYLENNNA	PDP/CCO	0.01
KETTERER, JUAN ANTONIO	ICF/CMF	0.02
GUERRERO, ROSA M.	CMF/CPN	0.02
CONCHA PERDOMO, ALVARO	CMF/CCO	0.07
GASTALDI, RODOLFO	PDP/CCO	0.02
ROJAS ACUNA, MONICA	CAN/CCO	0.05
LUGO, GLORIA	ICF/CMF	0.01

### 7.2 Proposed administrative budget estimation required for the execution stages by year of execution (specify consulting, travel and other expenses)

Type	Year 1	Subsequent Years	Total
Consultants	200,000		200,000
Travel			
Other	50,000		50,000
<b>Total</b>	250,000		250,000

## VIII. Risks:

Fill-out the KCP's Environmental Screening and Classification using this link to the [Environmental Screening and Classification Toolkit](#). Then save it in IDBDOCS and record its number immediately after the "equal" sign on the link below (\*):

<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?docnum=36285545>

### 8.1 Implementation Risks:

SFC's administrative issues could generate delays in the development of the consultancy.

### 8.2 Please identify key environmental and social risks and impacts, and the strategy to address them:



N/A

## **IX. Coordination with other MDBs**

### **9.1 Summarize collaboration or coordination with other MDBs, donors and other strategic partners (if any):**

N/A

## **X. Monitoring plan**

Fill-out the KCP's Development Effectiveness Matrix (DEM) using this link to the [AS DEM template](#). Then save it in IDBDOCS and record its number immediately after the "equal" sign on the link below (\*):

<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?docnum=36285965>

### **10.1 Summarize the basic elements of the Monitoring plan, including key activities and associated budget:**

The Bank's project team will accompany SFC in all actions required to get the optimum development of the consultancy work. Additionally SFC is considering to include as part of the in-kind contribution the accompaniment, monitoring and supervision of all the process of the diagnosis by the SFC's systems area.

The main responsibility of monitoring of this advisory services (AS) will be in charge of CMF/CCO. In case it is necessary to have administrative and technical missions, these will be developed with the purpose of evaluating the development of the consultancy products and activities. These missions would be carried out in coordination with the SFC staff. The specific monitoring activities will include the review of intermediate and final deliveries of each product and will be performed by the Bank's team and SFC technical team, who will be concentrated in the technical aspects of the study.

(\*) All documents saved in IDBDOCS must have read permissions granted to the group DOCS Users