



Coordination Committee

For approval by non-objection

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To: The Coordination Committee
From: The Secretary
Subject: Knowledge Partnership Korea Fund for Technology and Innovation.
Operational guidelines

Inquiries to: Mr. Hyunghwan Joo (extension 3554)

Reference: GN-2374-1

OPERATIONAL GUIDELINES

KNOWLEDGE PARTNERSHIP KOREA FUND FOR TECHNOLOGY AND INNOVATION

I. CONCEPTUAL FRAMEWORK

A. Introduction

- 1.1 These guidelines are intended to provide information to Bank staff on the eligibility criteria, preparation of proposals, approval process and implementation of non-reimbursable technical cooperation operations (“TC operations”), financed by the Knowledge Partnership Korea Fund for Technology and Innovation (the “Fund” or “KFT”). KFT is funded by an initial contribution by the Republic of Korea (“Korea”) in the amount of US\$25 million.
- 1.2 These guidelines are complementary to the Bank’s current policies and procedures on TC operations, and subject to the terms established in the Agreement between the Government of the Republic of Korea and the Bank (the “Agreement”) regarding the implementation of the Fund dated July 27, 2005 (see Document GN-2374-1). These guidelines will be updated as needed to reflect lessons learned.
- 1.3 In today’s global knowledge economy, scientific and technological capacity and innovation are recognized as key determinants of sustainable growth, wealth creation, and competitiveness. For developing countries, fostering the ability to develop, acquire, disseminate, and commercialize scientific and technological knowledge is not just a means to improve productivity, social well-being, and export potential, but also a path to a successful integration into an increasingly globalized economy.
- 1.4 The development of National Innovation Systems (NIS) is the foundation for an environment that encourages technological innovation. Key elements of NIS include both public and private institutions that are committed to invest in R&D and innovative activities, specialized institutions that encourage the diffusion of technology and innovation, a supportive regulatory framework, notably regarding competition and intellectual property, as well as an appropriate infrastructure in information and communication technologies. Strong linkages among the elements of the NIS and collaboration among the major sectors is critical. Appropriate incentive systems that leverage R&D investment by the private sector, attract international investment in technologically advanced activities, and reward risk taking in innovative ventures also contribute to the performance of NIS.
- 1.5 The provision of high quality education in the sciences, mathematics, technology, and engineering to produce a skilled workforce is a priority, particularly in the poorer and less developed countries. A critical mass of scientists, engineers, and

- highly qualified technicians in industry is indeed fundamental to upgrade the domestic capacity to develop and/or acquire technological knowledge and apply it in the productive sectors, particularly in small and medium enterprises. Quality control mechanisms based on recognized international standards need to be strengthened, pointing to the need for strengthening basic capacities in metrology.
- 1.6 Beyond the evidence that LAC countries are lagging behind in the magnitude of their investment in R&D, there is an increasing awareness that many if not most of the countries of the region lack the institutional settings and the policy framework that facilitate the emergence of performing innovation systems and encourage investment in R&D and innovative activities, notably by the private sector.

B. Objective of Fund

- 1.7 The establishment of the KFT and the creation of a new Sub-Department for Education and Science and Technology (EST) within the Department of Sustainable Development highlight the commitment by the Inter-American Development Bank to provide more resources to strengthen the science and technology (S&T) potential of the Latin American and Caribbean countries and of the region as a whole and to enhance the competence of the Bank in the implementation of more innovation-based development strategies. In a resource-scarce environment, both in the region and within the Bank, the KFT creates a source of flexible, non-reimbursable funding to support activities that promote S&T capacity and innovation with emphasis on information technology and related e-applications. Its central areas of support build on the Bank's long experience in S&T throughout the region and the Bank's *Strategy for Science and Technology for Development* (2001), which emphasizes the importance of technological innovation for economic growth, poverty reduction, and sustainable development.
- 1.8 The main objective of the KFT is to develop the portfolio of the Bank loan and technical assistance activities on S&T and innovation related projects and to enhance the countries' capacity to generate such projects. The Fund is established to ensure that such projects effectively contribute to the strengthening of the performance of innovation systems at national and regional levels, thereby increasing their competitiveness and easing their efficient integration into global markets. The KFT addresses the pressing need for technical assistance for solid analytical work, sector analyses, diagnostics, and assessments at both country and regional levels to establish effective policy priorities, inform Bank efforts with respect to country strategies, and complement and galvanize lending for science and technology and innovation.
- 1.9 The primary KFT intended beneficiaries are governments throughout the Region seeking to promote and consolidate their national innovation systems and to strengthen their S&T capacity notably as regards information technology and related e-applications. Other beneficiaries include the private sector, innovation funding agencies or institutions, educational institutions, local communities, and

the Bank itself, through the strengthening of its own knowledge base and expertise.

C. Thematic Scope

- 1.10 The creation of the KFT is based on an initial contribution of US\$ 25 million from the government of the Republic of Korea in 2005, with a commitment of an additional US\$ 25 million on the third anniversary of the date of Korea's entry to the IDB (March 2008), all as set forth in the Agreement. The Fund is 100% untied to consultants from Bank member countries.
- 1.11 The KFT supports analytical work and pilot projects on a country and regional basis that promote S&T capacity building, particularly regarding information technology, and enhance the ability of governments to promote sustainable development through innovation in areas of strategic importance. Technical Co-operations supported by the KFT are expected to contribute to the development and dissemination of best practices and to project development. A particular emphasis is to be given to proposals related to lower income countries and those with a weaker S&T capacity, the development of critical information technology capacity and innovation in small and medium enterprises.
- 1.12 The KFT will provide financing for the following target activities:
 - a. Promotion of information technology capacity, including hardware, software, related services, and related applications, particularly e-applications in government, health, research, education, business, micro-finance etc., to reduce the digital and economic divide at local, national, and regional levels and advance development goals.
 - b. Support for assessments, sector analyses, and activities that strengthen science and technology and related innovation capacity, including related institutions, strategy and policy making, regulatory frameworks, and human resources development focused on scientific and technical education.
 - c. Support for the dissemination of best practices for science and technology capacity building, benchmarking of R&D and innovation performance, institutional development, policy frameworks, and development of highly skilled human resources, in the form of workshops, conferences, seminars, the publication and distribution of papers resulting from them, and development of a regional S&T knowledge base.
- 1.13 Activities in categories of 1.12 (a) and (b) shall be in the form of advisory assistance including pre-feasibility and feasibility studies; institutional strengthening, including the creation or modification of related institutions, the design of systems and procedures, training (including fellowship support in information technology areas), the adoption and diffusion of new technology; development planning in connection with technology and innovation, including

capacity strengthening to prepare well-articulated related sector development strategies, plans, policies and programs; small-scale pilot projects and e-application projects.

II. OPERATION OF FUND

D. General Conditions for Submitting Proposals

- 2.1 *Submissions:* Proposals may be submitted at any time of the year following the general template for the development of Bank Technical Co-operations.
- 2.2 *Grant Recipients:* Entities eligible to submit proposals are: a) all Bank units, both at headquarters and in the country offices; b) public sector institutions in borrowing member countries, including national and local governments and autonomous entities; c) regional and sub-regional organizations composed of borrowing member countries; and d) private organizations established in the borrowing member countries that are eligible to receive TC funds pursuant to the Bank's policies and procedures, including but not limited to industry associations, chambers of commerce, NGOs, and educational organizations.
- 2.3 *Submission of Proposals:* In-country organizations must provide a non-objection letter from their respective governments and submit proposal through Bank offices in borrowing member countries. This non-objection letter should be signed by the agency designated by the Government of the beneficiary country for the national coordination of technical cooperation activities with the Bank. The presentation of this letter should be a condition precedent to the organization of the meeting of the Management Review Committee (CRG) for the project. In the case of regional and sub-regional organizations composed of borrowing member countries, the non-objection letter should be signed by the institutions or ministries representing the countries in which the execution of the TC operation will take place.
- 2.4 *Intra- and inter-institutional collaboration:* The KFT may finance proposals conceived as collaborative efforts between Bank Units, and between the Bank and other organizations, recognizing the need to build strong synergies among Bank activities where S&T plays a critical role, for example, in private sector innovation and in development of regional frameworks and knowledge bases.
- 2.5 *Eligible expenses:* The KFT follows the Bank's general policy in terms of expenses that may be financed with TC funds (Document OA-310).

E. Proposal Characteristics

- 2.6 Within the general framework of the Bank's TC policies, KFT proposals should be guided by the following characteristics to ensure consistency with Fund principles:

- 2.7 *1. Project rationale, objectives, and technical relevance:* Proposals must be consistent with the conceptual and thematic scope of the KFT and relevant to the areas of activity eligible for financing by the Fund. Proposals should describe and justify their objectives with respect to the intended impact on and contribution to country or regional S&T and innovation performance and development of relevant S&T capacity, the target beneficiaries, the activities that are being financed, consistency with Bank policies related to S&T and innovation, including the Bank's *Strategy for Science and Technology for Development* (2001).
- 2.8 *2. Contribution to Bank effectiveness in the area of S&T and Innovation:* Proposals should demonstrate their proposed contribution to enhancement of Bank effectiveness through enhanced lending, quality technical support, and expansion of the knowledge base to inform its own and country decision-making. Proposals will also be reviewed for their potential to replication in other countries in the region.
- 2.9 *3. Cost, financing, execution structure, cost-effectiveness and sustainability:* In addition to the normal requirements with respect to budget and timing, the proposal should include a description of counterpart contributions, and if any, plans for collaboration with other organizations. It should clarify whether the project could be financed by other sources (e.g., resources from an existing loan, administrative resources, or resources from another organization) and whether it is being submitted to another funding source. It should clearly justify its approach based on cost-effectiveness and anticipated results. Proposals will be reviewed for their connection to a wider initiative that guarantees the sustainability of interventions.
- 2.10 *4. Competence of the requesting organization:* The Executing Agency is expected to be legally constituted, have experience in the development and management of activities related to the thematic content of the KFT, and possess the competence and project management skills required for implementation or demonstrate how its weaknesses in this area will be addressed.
- 2.11 *5. Monitoring and Evaluation:* The proposal should include a description of plans to monitor and evaluate the project, including types of indicators and outcomes to be examined. The responsibilities of the Bank and the Executing Agency should be clearly outlined to ensure implementation of a high quality product. Standard Bank procedures for auditing and financial management will be followed.

F. Approval Procedures for Grant Proposals

- 2.12 The KFT process generally follows the policies for Bank TC preparations with the following specific provisions:
- 2.13 The Manager of the proposing Department will submit the proposal concept (1 to 4 pages) to SDS/EST for review of compliance with eligibility criteria. SDS/EST will evaluate the proposal concept and inform the proposing Department of the proposal's eligibility.

- 2.14 Proposals of \$100,000 or more are forwarded to the Donor via RE2/FSS for approval.
- 2.15 The Management Review Committee (CRG), convened and chaired by the submitting Department, reviews the Plan of Operations for approval.
- 2.16 The Project Team will be responsible for preparing a completion report within six months from the date of completion of the operation and for sending an electronic copy of that report, or three printed copies thereof to SDS/EST.

G. Management of the Fund

- 2.17 The Education and Science and Technology Sub-Department of the Department of Sustainable Development coordinates the Bank's agenda for Science and Technology and is responsible for the technical management of the Fund. The Financial Support Services Sub-Department (RE2/FSS) is responsible for the financial administration of the KFT. In consultation with the donor, the Bank may contract, with the resources of the KFT, technical, advisory, monitoring and evaluation services related to the Fund's operations. SDS/EST collaborates with RE2/FSS in the development of an annual report to the Donor on the Fund's finances, activities, achievements, projects in the pipeline, and lessons learned. SDS also collaborates with FSS and EXR in the design and dissemination of information about the Fund.

H. Review of Fund Operations

- 2.18 The Operation of the Fund and its procedures will be reviewed and consulted with the donor periodically at least once a year or when necessary.

TC PROFILE

(FORMAT AND CONTENT)

TC Profiles should not exceed 4 pages in length

I. Basic Project Data

- Country/Region
- Program Name/Number:
- Team Leader/Members:
- Date of Request¹:
- Beneficiary (country or entity which is the recipient of the grant):
- Executing Agency (Organization or entity responsible for executing the TC Program):
- Budget:
- Technical and Basic Responsibility
- Tentative Dates: Loan Committee/EVP _____ DIR/PRE _____

II. Background and problem statement (estimated length: 1 page)

- 2.1 This subheading should facilitate a clear understanding of the program's problem. It should also explain the program's priority, why the source of funding has been selected, the value added or additionality of the program and its relationship to Bank strategies, as well as to other relevant national and international programs.

III. Program objective and description (estimated length: 1 page)

- 3.1 This subheading should describe briefly the goal and purpose (including a preliminary description of potential outcomes, if possible) of the proposed program and its major components, activities, and expected outputs. An indication should be made if the program will require a log-frame.

IV. Cost and financing (estimated length: 1/4 page)

- 4.1 Provide a cost estimate and source(s) of funds: Bank, other Donors, and Local.

¹ A copy of the Letter of Request should be submitted with Profile.

V. Executing agency and execution mechanism (estimated length: about ½ page)

- 5.1 This subheading should provide relevant information on the nature of the executing agency, its track record, its mission, major areas of activities and programs. To the extent possible, it should also contain a preliminary assessment of the agency's capacity to execute the program, as well as the relationship of the program with the executing agency's mission and other programs. If information is not available, the agency's capacity should be mentioned under major issues to be addressed (section VI). If the Bank is the proposed executing agency, this section should provide information to justify this arrangement.

VI. Major issues (estimated length: about ½ page)

- 6.1 Special issues for analysis should be identified, beyond those that are common to most projects, including: demand, value added, institutional and financial sustainability, capacity to execute the program, ability to monitor and evaluate the program, overall dimension, ownership, if there is a need for phasing components/activities, and any special execution arrangements (e.g. if there is a need of a new law, decree, multi-agency participation).

VII. Action Plan

- 7.1 This subheading should set forth the steps that are to be taken to process the program; indicate the status of the program's preparation and provide an idea of the additional information required. It should also give a tentative estimate of processing requirements (staff time, consulting services, missions, etc.) and a timetable for the same.

VIII. Environmental and Social Strategy

- 8.1 Actual or potential negative environmental and/or social impacts of the program should be described and the strategy to properly address them as defined in norm PR-204 should be identified (<http://manuals.iadb.org/Pre/Pr-204e.htm>). If the Project Team considers that the operation will not cause negative social or environmental impacts, or that it will generate mostly positive impacts, they should also include this in the Profile.

Inter-American Development Bank
Technical Cooperation Program
Knowledge Partnership Korea Fund for Technology and Innovation

TC BRIEF

TC N°: _____ [Number given by project registration in OPUS]

I. GENERAL INFORMATION:

1. Name of the T.C. Project:
2. Name of the Trust Fund: Knowledge Partnership Korea Fund for Technology and Innovation (KFT)
3. Beneficiary Institution and Country:
4. Executing Agency:
5. Estimated Total Amount to be financed: *[Not to exceed US\$ 150,000, if using this form]*
 - Amount financed by trust fund:
 - Amount financed by local counterpart:
 - Amount financed by other sources: *[other IDB resources and co-financing]*
 - Execution and Disbursement Deadlines:

II. OBJECTIVES:

(A clear direct and concise description of the immediate and long-term objectives of the project followed by the purposes for which the financing is being requested).

III. DESCRIPTION:

(A description of the activities to be performed, the time schedule of such activities, the expected results, the organization and execution of the project, and the disbursements of the resources. Reference should be made to the duration of the project. Please also identify the executing agency and its structure and capacity to contract and assume obligations. Projects under the KFT are to be executed by Bank units or institutions in the relevant beneficiary country, including the selection and hiring of the consulting services required).

1. **Consulting Services Required:** *(Include qualifications required for each consultant. Add specific terms of reference for each expert, if applicable. Indicate if the services should be provided by a consulting firm or by individual consultants).*
2. **Outputs required:** *(If specific Terms of Reference are attached, these subsections should concentrate in the overall estimated outputs of the TC project. All documents produced under the TC will be required to contain reference to the financing provided by the specific trust fund selected and its donor institution, in addition to the usual references to the IDB. All reports should contain an executive summary of no more than two pages. Reports produced are to be delivered to IDB in a sufficient number of copies to enable distribution to the trust fund donor, the beneficiary and IDB units. At least five copies of the final report are to be delivered to IDB).*

3. **Duration:** (Estimation of the number of days or months of work required from each short or medium term individual consultant, or consulting firm expert required, or duration of training activities)

IV. JUSTIFICATION:

(Provide a short description of the relevant factors justifying the project. Also, please address the pertinent project eligibility conditions as required in the Operational Guidelines for the KFT. Information on the Fund requirements can also be found in IDB WEB Page site under www.iadb.org/trustfunds. Identify briefly the beneficiary's legal status, capacity to contract obligations, and other relevant background, as well as the role it will play the project. The IDB Country Office will request additional documentation to verify the legal status, financial situation and other information stated about the beneficiary and the project. Provide a summary indication of the environmental and social strategy for the project, including the economic, social and environmental benefits and impact anticipated as result of the implementation of this technical cooperation or the investment project to be prepared, and identify the beneficiary population and institutions and its economic and social condition. Clarify the project sustainability and the possibilities for replication of the resulting experiences in the same or in other eligible beneficiary countries. If possible, state concrete means for verification of the suggested impact and benefits).

V. BUDGET:

Prepare a detailed table of estimated costs of the technical cooperation, containing at least the honorarium of each individual consultant or consulting firm, including the number of experts, specialization, duration of each assignment and indication of those expected to be local or an international experts; also state the overhead, if a consulting firm is required. Indicate the per diem (or daily subsidy for food, lodging and local-metropolitan transportation costs) and travel expenses to be paid to consultants, trainees and teachers, as well as other accessory expenses required for the consulting work. Detail other training costs, including amount to be spent with or paid to participants, teachers, publications, etc. Include all equipment, materials or external services required to implement the project.

Type of expense	KOREA FUND (KFT)	COUNTERPART ^{1/}	OTHER ^{2/}	TOTALS
CONSULTANTS				
Honorarium				
Expert #1 (local or International?)				
# Working days x US\$.....				
Expert #2 (local or Intl. ?)				
# working days x US\$.....				
Overhead Consulting Firm ^{3/} :				
Travel Costs				

.International Travel:				
# tickets x.# experts x US\$.....				
.Local Travel (to other cities):				
# tickets x.# experts x US\$.....				
Per Diem ^{4f}:				
..... days x US\$.....				
<u>TRAINING COSTS</u>				
Teachers or Speakers				
Participants				
<u>OTHER COSTS</u> ^{5l}				
General local support ^{6f}:				
TOTALS				
^{1f} Counterpart financing is usually required at a minimum of 20% of the total cost of project. Could be “in kind”.				
^{2f} Other IDB resources or co-financing by other institutions.				
^{3f} For consulting firms, only. To be estimated as a percentage of the honoraria costs and other personal benefits paid to experts (not including travel and per diem). This amount shall cover all administrative and logistics support required by the consulting firm that are not provided as counterpart by the beneficiary, or indicated as “other costs”.				
^{4f} IDB internal norms contain specific limits for per diem expenses of consultants, which are periodically reviewed on a per country basis. Consultants receive per diem only when they are working outside its metropolitan area of residence. Simply state the amounts you feel are adequate to cover lodging, meals and local transportation expenses of the each expert, The IDB Country Office will review and adjust the rates as required.)				
^{5f} Includes acquisition, lease or payment for special services, for such items as technical equipment, maps, laboratory exams, special printing services for reports, computer services and equipment, software, etc. “Other costs” are acceptable when necessary for the performance of the consulting services. The total amount of “other costs” usually should not exceed 30% of the total financing by the Fund. Regular logistic requirements provided by consultants, including typing and secretarial services are not eligible as “other costs”.				
^{6f} To be paid by local counterpart or other co-financing source. Comprehend local logistics for the consultants, including rental of office space, secretarial services, communications, regular printing and copy services, supplies, etc.				

VI. RESPONSIBILITY IN THE BANK:

Technical Responsibility:

[Include name of Unit, as well as name, phone, and fax, E-Mail address of the Bank Officer responsible for the project.]

[The following subsection and three additional sections, namely, Recommendation, Certification and Approval, should be added on a separate page for use at the time of approval of the document by the Bank]

Responsibility for Disbursements:

[This information is essential for the LMS system, and is specially necessary in cases in which the responsibility for the authorization of disbursements falls on a unit different from the one with the technical responsibility. Include name of Unit]

VII. RECOMMENDATION:

_____, designated team leader for the project of the reference, confirms that this operation has been reviewed in order to satisfy the decisions of the Management Review Committee to which it was submitted, and recommends the approval of this operation and the use of resources from the Fund totaling up to US \$ in order to finance the corresponding project.

VIII. CERTIFICATION:

I certify that this operation satisfies the eligibility criteria approved for financing by (or was approved by) the donor of the Knowledge Partnership Korea Fund for Technology and Innovation through a (letter, fax, etc) dated and signed by(indicate only the position of the signed donor official). Also, I certify that resources from the Knowledge Partnership Korea Fund for Technology and Innovation are available for up to US \$ in order to finance the activities described and budgeted in this Memorandum - Plan of Operations. The commitment and disbursement of these resources shall be made only by the Bank in dollars of the United States of America. The same currency shall be used to stipulate the remuneration and payments to consultants, except that local consultants working in their own borrowing member country shall have their remuneration defined and paid in the currency of that 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.

[Signature]
Senior Advisor
SDS/EST

Date

IX. APPROVAL:

Approved _____ *[Signature]* _____

Division Chief/Country Representative *(for the regional Operations Depts.)* **Date**
or Department Manager *(for INT and SDS)*

TC Operation Financed by the Knowledge Partnership Korea Fund for Technology and Innovation

TC Operation Completion Report

(Up to four pages)

Beneficiary Country or Countries	
Project Name	
Project No.	
Project Team Members	
Executing Agency	
Amount: Bank / Local Counterpart	
Bank Approval Date	
Project Completion Date	
Objective & Description:	
Evaluation of Inputs:	
Evaluation of Outputs:	
Overall Assessment:	
Lessons Learned:	
Recommendations and Follow-Up Actions:	

Project Team should prepare this report no latter than six months after project completion date.