

CO-T1336
Innovation and production chains in the tourism sector in the Archipelago of San Andrés,
Providencia and Santa Catalina
TC DOCUMENT

I. Basic Information for TC

▪ Country/Region:	COLOMBIA
▪ TC Name:	Innovation and production chains in the tourism sector in the Archipelago of San Andrés, Providencia and Santa Catalina
▪ TC Number:	CO-T1336
▪ Associated Loan/Guarantee Name:	
▪ Associated Loan/Guarantee Number:	
▪ Team Leader/Members:	Francesca Castellani (CAN/CCO) team leader y Matteo Grazzi (CTI/CCO) alternate team leader, Christine Ternernt (MIF/CCO), Roberto Esmeral (CCS/CCO), Ana María Pinto (TSP/CCO), David Rosas Shady (SCL/LMK), Noe Alejandro Lozano (CAN/CCO) and Bernardita Saez (LEG/SGO).
▪ Date of TC Abstract authorization:	1/4/2013
▪ Beneficiary (countries or entities which are the recipient of the technical assistance):	Departamento del Archipiélago de San Andrés, Providencia y Santa Catalina Carta Solicitud IDBDOCS 37803763
▪ Executing Agency and contact name (Organization or entity responsible for executing the TC Program) {If Bank: Contracting entity} {If the same as Beneficiary, please indicate}	IADB
▪ Donors providing funding:	KPR Korea Poverty Reduction Fund
▪ IDB Funding Requested:	360,000
▪ Local counterpart funding, if any:	
▪ Disbursement period (which includes Execution period):	36 months (execution 32 months)
▪ Required start date:	1/6/2013
▪ Types of consultants (firm or individual consultants):	Individual
▪ Prepared by Unit:	CAN/CCO
▪ Unit of Disbursement Responsibility:	CAN/CCO
▪ TC Included in Country Strategy (y/n):	No
▪ TC included in CPD (y/n):	no
▪ GCI-9 Sector Priority:	Environmental sustainability and productive development

II. Objectives and Justification of the TC

The “Emerging and Sustainable Cities Initiative, ESCI”, recently launched by the Bank, employs a multidisciplinary approach to addressing the challenges facing the urban areas of the region, integrating environmental sustainability, comprehensive urban development, fiscal sustainability and good governance. The Initiative provides a set of tools to (i) Identify key bottlenecks that they may face in their path towards sustainability. (ii) Weigh and prioritize the identified problems to guide investment decisions in the sectors that may generate more positive impacts (iii) Find specific adequate solutions according to their cost-benefit that would pave the road towards increasing sustainability (“prioritized interventions”). In addition solutions should take into consideration potential different local sources to finance them as well as the institutional capacity for their implementation (iv) Monitoring progress and advances in closing gaps and reaching goals.

The objective is to strengthen the region’s competitiveness in order to provide a high and rising standard of living for its citizens. High standards of living generally include elements such as high-levels of education, health, recreation, healthy environment, housing, employment, income generation, good infrastructure and efficient public services, security and other opportunities that generate progress and prosperity. If the satisfaction of basic needs is a primary goal of the development of any country or region, it is also a necessary foundation on which to build competitiveness, but not enough to compete in the long term in a globalized world.

The findings of a competitiveness study of the Archipelago¹ highlight the challenge for the region to move from an excessive dependence on exploitation of basic factors like natural resources towards a more complex advantage, based on innovation and knowledge that might position the island in a global environment.

The archipelago of San Andrés, Providencia and Santa Catalina, located in the southwestern Caribbean Sea, is an ecosystem rich in environmental biodiversity of marine and land organisms. Its economy is centered on the activities related to tourism, retail, and fishing. The archipelago has potential; however, environmental problems, high population density and increasing poverty make it difficult to expand productive economic activities.

Tourism is one of the economic sectors that most contributes to GDP. According to the San Andres Chamber of Commerce, the department has 79 accommodation establishments and lodging, with capacity to serve 8,500 guests. Also, the tourism industry is generating nearly 4,000 direct jobs, which do not necessarily benefit the “raizal” ethnic community, that provide only a small proportion of the total services (17 native inns and 10 restaurants). The majority of tour packages offered by many of the big hotels do not use local food service supply, including the artisanal fishing. In this context, it is crucial to foster productive linkages and strengthen the capacity of local providers to develop quality standards that might help them ensure a steady supply to hotels and restaurants.

There is an agreement among stakeholders that the island has lived from its natural appeal and commodities. The largest employer on the island is tourism which has not developed more complex sources of advantage, for example, creating real differentiation in its bid to attract more sophisticated tourists.. Consensus is growing among many actors who believe that the future of the island is on a higher level tourism and all other activities should “look” to strengthen tourism to the island as an attractive destination. To achieve this position, they would have to go to be an attractive tourist destination with a range of additional goods and services that meet the needs of this new customer tourism. Dialogue is needed to achieve this vision across many sectors, including hotels, restaurants, travel agents, retail, transport and related sectors.

¹ See Ternent (2002)

While it is true that the archipelago has a comparative advantage given both its natural and geographical location, this is not sufficient to generate competitive advantages that allow better standards of living and prosperity for its citizens. To do this the islands need to develop advantages that are difficult to imitate, durable, based on a sophisticated human talent. It also requires the definition of potential clients and to identify attractive market niches

A competitiveness study by the Regional Competitiveness Commission highlighted the following

WEAKNESSES	STRENGTHS	OPPORTUNITIES	THREATS
Deficiency in the health system.	Ecosystem diversity.	Environmental management planning.	disorder and neglect of sites and tourist attractions.
Poor waste disposal and medical waste.	Ethnic culture.	Cultural and sporting vocation.	social problems (unemployment, crime, drug addiction).
Lack of vision about the kind of tourism to be developed.	Declaration of territory as a Biosphere Reserve.	Convert the department archipelago into a national tourist center.	International competition.
structural deficiency of the tourism sector.	Natural resources/landscapes.	Convert the department archipelago in a national high performance sports.	Natural disasters
Lack of human resources training in the islands.	Land suitable for organic crops.	Return Department Hospital a center of health tourism.	Global Warming
Low quality of life of the inhabitants of the islands.	Experience on fisheries and agriculture.	Development of energy saving programs and water.	Predation of ecological resources
Absence of a population policy.		Use of organic agricultural products and species.	aquifer contamination.
Lack of political and social leadership.		Use of land expropriated.	Loss of raizal culture
Lack of sense of belonging and citizen.		Development of culture and education.	
widespread sense of insecurity.		Development activities and telecommunications utilities.	
Impairment of architectural and cultural heritage of the islands.		Production Research cultural traditions.	
Deficiencies in the education system.		Development of IT companies and outsourcing.	
Lack of promotion of bilingualism and / or trilingual.		Transformation of agricultural and fishery products.	
Lack of technological resources to the education sector.		Environmental management planning.	
Weakness in marketing local products.		Cultural and sporting vocation.	

Source: REGIONAL COMPETITIVENESS PLAN Archipelago San Andrés, Santa Catalina y Providencia

The Archipelago's development model is based on sun and beach tourism. Its basic tourism resource is nature and the landscape of the coastline, and this is the basis of its supply of tourism services, which are splintered and poorly coordinated at present. As tourism has been traditionally based on natural resources, it enables economic survival without much innovation. As a result, supply is not dynamic or innovative and demand is static, and mainly interested in the beach and relaxation, with no attention to other services.

Problems to be addressed: (i) There are very few accumulated resources and those that exist are specialized in the sun and beach? monoculture; (ii) The very low accumulation of productive physical capital (private sector) and the lack of infrastructure (public sector) lead to very low accumulation of human capital and, in consequence, a total absence of innovation; (iii) There are resources and cultural attractions that are slowly becoming more appreciated and included in the sun and sand monoculture but are still not offered as separate and new tourism products (for example gastronomic circuits) either because of the fragility of the production structure, which is in

need of a support network, or because of the lack of services, as in the case of the historical circuits; and (iv) There is the absence of incentives on the demand side to improve the quality and quantity of services. This means there is no incentive for competitiveness or innovation or to diversify production by mobilizing attractions that have not been actively promoted.

The tourism sector has several weaknesses such as the lack of effective public services, water and sanitation, waste disposal, lack of consolidation of the tourist vocation, and a poor tourism infrastructure.

Several initiatives have been undertaken to move forward towards a new economic model but no major strides have been made, given coordination failure. As a result, the objective of this Technical Cooperation is to help build a consensus among various stakeholders building on the Bank's experience in other countries, to support the Archipelago of San Andres, Providencia and Santa Catalina towards becoming a sustainable and innovative tourism destination. The strategy is to develop a new comprehensive approach that emphasizes additional services, with attraction focusing on culture, ecotourism and marine tourism and creating linkages with local suppliers to promote income generation and job creation. This operation using, among others the methodology provided by the ESCI initiative, aims to identify basic infrastructure, institutional capacity and vocational training needs, to be able to meet tourism demand and improve the quality of life for the residents of the Department. This support would involve working with the public and the private sector to identify the need for suppliers in terms of quality standards, the innovations that could help increase the competitiveness of the tourism sector of the islands, designing the incentives to improve competitiveness and establish an appropriate vocational training program.

The development plan of the Archipelago of San Andres, Providencia and Santa Catalina identifies four strategic dimensions such as: (i) Training and Capacity Building and Human Capital (ii) Social Capital Formation (iii) accumulation of physical and financial capital and (iv) Enhancing the opportunities for capacity building of the local ethnicity, "raizal".

The Bank has relevant experience in the tourism sector. More recently, in Trinidad and Tobago (T&T) where Bank's activities were aimed at increasing the profits and incomes of those employed in the T&T tourism industry, and to decrease the seasonality/volatility of the income generation capacity, emphasizing collaboration in marketing of clusters of tourism products, branding, product development and services provision - to improve product quality.

This operation aligned with the Bank's strategy with Colombia 2012-2014 which fosters an innovation and entrepreneurial culture. This project complements other Bank's intervention in the Archipelago: CO-M1072 Strengthening the Fish and Farm Cooperative of Old Providence which seeks to improve business aspects of the Cooperative, including fishing and farming activities and new business initiatives where the Coop acts as an anchor firm.. The CO-X1004 Protecting Biodiversity in the Southwestern Caribbean Sea, supports the protection, conservation, and sustainable use of important marine and coastal ecosystems and biodiversity in the Caribbean Sea, through the effective implementation of the Integrated Management Plan of the Seaflower Marine Protected Area (San Andres Archipelago).

III. Description of activities/components and budget

The goal of the project is to bring about planned growth and sustainable development of tourism in the department, with innovation and responsible management of resources, so that the community can progress in human development and maintain its own identity. The purpose is to strengthen

and improve the tourism destination management system by enabling the private and the public sector to provide quality in services and in the social, economic, and environmental spheres.

Component 1. Establishment of a public-private dialogue to share a vision of the Archipelago. The objective is to create an institutional mechanism to dialogue between the public and private sectors on tourism and other related sectors. The activities to be financed under the project include: (i) technical studies to substantiate private sector requirements; (ii) identification of basic infrastructure, institutional capacity and vocational training needs, to meet tourism demand and improve the quality of life for residents of the Department (iii) an action plan to address these needs, with the necessary diagnostics studies and the relevant terms of reference to undertake them (iv) map and strengthen the production chain opportunities for local suppliers and (v) training plan for local institutions in ways to effectively work together.

Component 2. Development of innovative tourism products. The purpose of this component is to incentivize the design and production of novel tourism products that could enhance the value of the varied resources in the area. These services should be diverse and targeted to identified market niches. The activities to be financed under the project include: (i) assistance to businesses to select innovative products; (ii) exchange workshops in coordination with the National Innovation and Research Agency (Colciencias) and INNPulsa program; and (iii) education for businesses in gaining access to sources of financing that respond to the needs of tourism activities

Component 3. Improvement and development of human capital services. The purpose of this component is to introduce best practices in sustainable tourism in its public and private businesses and institutions. The activities to be financed under the project include the design and implementation of a job training program in lodging, food, guide, and tour operator services.

Component 4. ICT penetration. The purpose of the component is to finance a diagnostics of the current level of technological innovation capacity and ICT penetration in the tourism sector of the Archipelago and to propose appropriate technological solutions. The activities to be financed under the project include: (i) diagnostics study of ITC penetration and (ii) identification of key innovations that could increase the sector competitiveness and whose implementation is technically and financially affordable.

Component 5. Promotion of the destination. The purpose of this component is to better position the islands and its products on the national, regional, and international markets. These products and supply at the destination will be consistent with the results of the market profiles and the marketing plan developed in previous component. The activities to be financed under the project include: (i) a promotion and public relations plan; (ii) creation of a web portal; (iii) management of the islands brand; and (iv) development and maintenance of a tourism observatory to capture, consolidate and process, statistical data on tourism.

Component 6. This component will submit the findings of the operations to the relevant national and subnational policy makers and will be used to foster project design and institutional strengthening. The aim of these seminars will be to debate implementation options and craft the strategy to execute the recommendations. A report will be prepared for each seminar summarizing the discussions. As a part of this component, on-site monitoring of project activities will be conducted within the overall monitoring framework. The KPR donor will designate participants, who will conduct the monitoring and evaluation of the project in consultation with the team leader and submit a brief report to the team.

Results Matrix

	Baseline		Year 1		Year 2		Expected Completion Date	Data Source	
	Unit	Value	Year	Planned	Actual	Planned			Actual
# private public dialogues		0	3/2013	3	6/2013	3	6/2014	12/30/2014	Governor's office
Action plan to address basic infrastructure, institutional capacity and vocational training needs		0	3/2013	1	6/2013	0		12/30/2014	Minutes Private-public dialogue
strategy to strengthen production chain opportunities		0	3/2013	1	6/2013			12/30/2014	Chamber of Commerce
assistance plan for businesses and business networks to select innovative products		0	3/2013	3	10/2013	4	6/2014	12/30/2014	Chamber of Commerce
design and implementation of a new job training program in lodging, food, guide, and tour operator services		0	3/2013	4	12/2013	2	6/2014	12/30/2014	SENA (vocational training institute)
diagnostics study of ITC penetration		0	3/2013	2	12/2013			12/30/2014	Chamber of Commerce
marketing and public relations plan;		0	3/2013	1	12/2013			12/30/2014	Governor's office
creation of a web portal		0	3/2013	1	12/2013			12/30/2014	Governor's office
tourism observatory functioning		0	3/2013			1	6/2014	12/30/2014	Chamber of Commerce

Indicative Budget The activities to be financed through this TC amount to 360,000 financed by the bank.

Budget

Component	Description	units	unit cost	IDB/Fund Funding	Total Funding
1	Public-private dialogue			60,000	60,000
	consultants	4	10000	40000	40,000
	travel	5	2000	10000	10,000
	Seminars/training	5	2000	10000	10,000
2	Development of innovative tourism products			80,000	80,000
	consultants	3	20000	60000	60,000
	travel	5	2000	10000	10,000
	Seminars/training	5	2000	10000	10,000
3	Improvement and development of human capital services			65,000	65,000
	consultants	3	15000	45000	45,000
	travel	10	2000	20000	20,000
	Seminars/training	10	5000	50000	50,000
4	ITC penetration			50,000	50,000
	consultants	2	15000	30000	30,000
	travel	4	5000	20,000	20,000
5	Promotion of the destination			45,000	45,000
	consultants	2	15000	30000	30,000
	travel	3	5000	15000	15,000
6	Dissemination			20,000	20,000
	Monitoring and evaluation			40,000	40,000
TOTAL				360,000	360,000

IV. Executing agency and execution structure

By request of the regional authorities, the Bank will execute this TC to better coordinate all actors involved from the public and the private sector. The coordinators of the project in the Archipelago will be the offices of the Governness of the Department and the President of the Chamber of Commerce. The IDB team is composed by specialists in cluster development, entrepreneurship, tourism, innovation, labor markets, diversity and macroeconomics. The primary responsibility for monitoring will be with CAN/CCO.

The evaluation of the TC will analyze the information obtained to (i) compare what was done with scheduled, determining differencing and analyzing their causes (ii) highlight the best practices replicable in other projects and programs.

The Bank will procure the goods, services and consulting services required by the Project in accordance with Bank policies.

V. Major issues

The risk is that policy recommendations issued from the study will not be considered. This risk is mitigated by the activities will be agreed and prioritized by a group of stakeholders.

VI. Exceptions to Bank policy

There are no exceptions to Bank policy.

VII. Environmental and Social Strategy

This TC will have no social and environmental negative impact and is classified in Category C.

Required Annexes

- Request from the client (e.g. Letter of Request, Programming/Portfolio Review Mission Aide Memoire or Report requesting the TC)
- Terms of Reference for activities/components to be procured
- Procurement Plan (consultancies)

ANEXO A

Terms of Reference for a Consultancy for the identification of new products and services in the tourism sector of the Archipelago

1. Background

- 1.1 Tourism represents approximately 21% of GDP in the Archipelago of San Andrés, Providencia and Santa Catalina, having registered the arrival of 453.000 national and 75.000 international tourists in 2011. According to the San Andres Chamber of Commerce, the department has 79 accommodation establishments and lodging, with capacity to serve 8,500 guests. These figures are reflected in the composition of the workforce, where 43.5% of the employed population is working in economic activities such as commerce, hotels and restaurants.
- 1.2 Nevertheless, local tourism enterprises show low levels of productivity and competitiveness and need to find new solutions in order to face the new challenges resulting from increasing global competition and behavior change in demand, because of several factors: more and better access to offers through ICT, cheaper transportation, non-seasonality, a growing trend to more trips but shorter duration, increased demand in the segments of the elderly and middle classes in emerging economies, consolidation of niches (rural, adventure, sports, health, gourmet), among others.
- 1.3 Moreover, the tourism industry is not homogenously benefiting the entire population of the islands. In particular, the *raizal* ethnic community (that constitutes roughly the ...% of the population) provides only a small proportion of the touristic services offered in San Andres. And the majority of tour packages offered by all-inclusive resorts do not use local food service supply, including the artisanal fishing. In this context, it is crucial to foster productive linkages and strengthen the capacity of local providers to develop quality standards that might help them ensure a steady supply to hotels and restaurants.

2. Objective(s) of the Consultancy

- 2.1 The objective of this consultancy is to conduct a study to identify possible innovative solutions, in terms of new products, services and processes, in order to increase the productivity and competitiveness of the tourism sector of the Department of San Andres, Providencia y Santa Catalina. The study will propose options both at firm level and at destination level.

3. Activities

3.1 Review and international benchmarking of the situation of tourism activities in the islands

3.2 Identification of countries and/or regions that effectively support policies to promote innovation in the tourism sector in condition similar to those of the Archipelago.

3.3 Formulation of the proposal of a comprehensive set of new products, processes, and services to be developed by firms of San Andres.

4. Products:

4.1 Detailed chronogram of activities

4.2 Intermediate report, containing the review and international benchmarking

4.3 Final report, including the proposal for innovation in the service sector of San Andres

5. Schedule of payment

1st payment: 10% after approval of the chronogram of activities

2nd payment: 40% after approval of intermediate report

3rd payment: 40% after approval of final report

6. Coordination

Team Leader: Francesca Castellani (francescac@iadb.org) CAN/CCO

Alternate Team Leader: Matteo Grazzi (matteog@iadb.org) CTI/CCO

7. Characteristics of the consultancy

Consultancy Category & Modality: International Consultancy and Lump Sum

Contract Duration: 3 months

Place(s) of work: country of residence of the consultants and a minimum of two weeks in the Archipelago de San Andres, Providencia y Santa Catalina.

8. Qualifications

Academic Degree/level and years of professional experience: at least 8 years of experience in each of the following areas: design and/or execution of innovation policies, design and/or execution of tourism development policy, and design and development of solution for the productivity and competitiveness of the tourism sector.

Language: fluency in English. Knowledge of Spanish is preferred.

Areas of expertise: technological innovation, tourism development.

Skills: any other features deemed relevant to carry-out the consultancy (Optional)

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