

Innovate at CAF

Creating public value Innovating with public policy instruments
and market incentives



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Diary

- LIBERAL VS UTILITY DILEMMA
- HOW WE HAVE INNOVATED AT CAF
- EXAMPLE: ROADS WITH FIBER
- OBSTACLES AND ACTIONS TO OVERCOME THEM
- SUCCESSES AND FAILURES
- LESSONS LEARNED (LEAP).



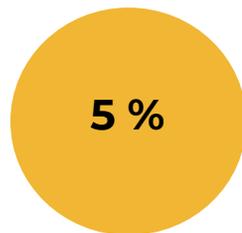
A dilemma to start with:

UTILITY MODEL

Cost-benefit

Guaranteed Success:

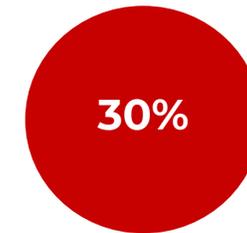
Complying with the law has its group and individual benefits.



(Jeremy Bentham)



Possibility of
bankruptcy in the
early years



(Emmanuel Kant)

LIBERAL MODEL

Sub-optimal and possible options

Creativity can have group and individual costs



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How we have innovated at CAF I:

Partnering with innovative organizations



CT: “Randinpak”: Fundamif in Ecuador

ACHIEVEMENTS: 18
empowered women



OC: More Schools Program in Argentina

ACHIEVEMENTS: 23 thousand
students benefited



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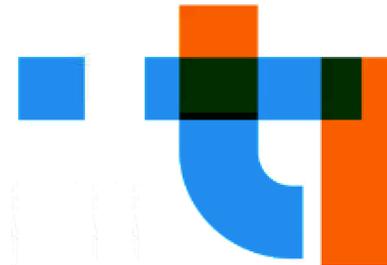
How we have innovated at CAF II: Creating incentives and spaces for innovation



- The LEAP contest THE Innovation
- Ideas Tournament
- Communities of practice
- Other motivational and collaborative activities

Un líder identifica oportunidades.

Hoy es tu turno de mostrar tus habilidades de liderazgo. Anímate y participa en la 3ª edición del Concurso Lecciones Aprendidas de CAF, con el cual fomentamos una cultura de aprendizaje a través de experiencias valiosas de nuestros funcionarios.



primer
**torneo
de ideas**

¡Todas las ideas cuentan!



#AprendamosJuntos
#TakeTheLEAP
#TerceraEdición



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How we have innovated at CAF III:

New products and services for our partners



- Creating new capabilities
- Creating new services (impact evaluation)
- **INNOVATION IN INFRASTRUCTURE:**
Roads with Fiber (year 2007)



Creation of the TICAF unit in the VIN

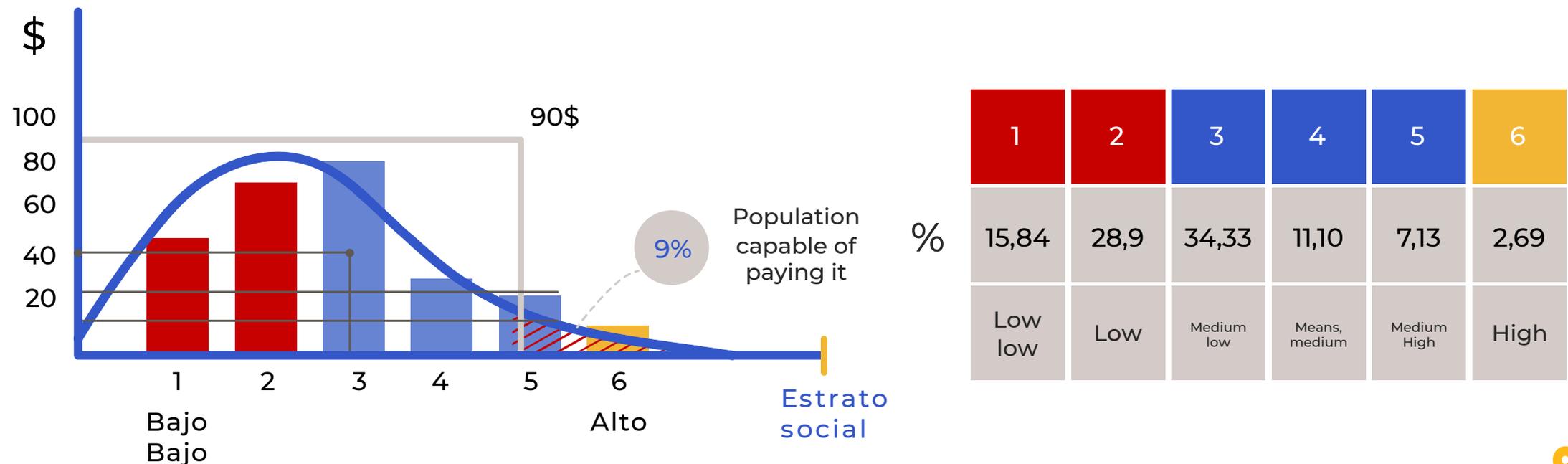


WITHOUT RESOURCES, A SINGLE MEMBER:

- **AGENDA:** Locate good ICT practices
- **Ground wire:** Observatory of integral ICT Development
- **Stripped wire:** Roads with fiber
- **Challenge to be addressed:** access and deployment of ICT in the social development of communities (the need, present or future, is the first source of innovative ideas)



The motivating question: How can we increase access to connectivity (BA) using market mechanisms?



It is a theoretical example of a high-density urban population, with this social distribution (year 2007, Colombia).



Living in the 21st century: Broadband connectivity

DISADVANTAGES

- Information privacy.
- Veracity of the information.
- Threat to freedom of action.
- Addictions / objections.
- Sedentary lifestyle.
- Emotional communication.
- Difficulty distinguishing between the real and the unreal.

GREAT UNCERTAINTY



ADVANTAGE

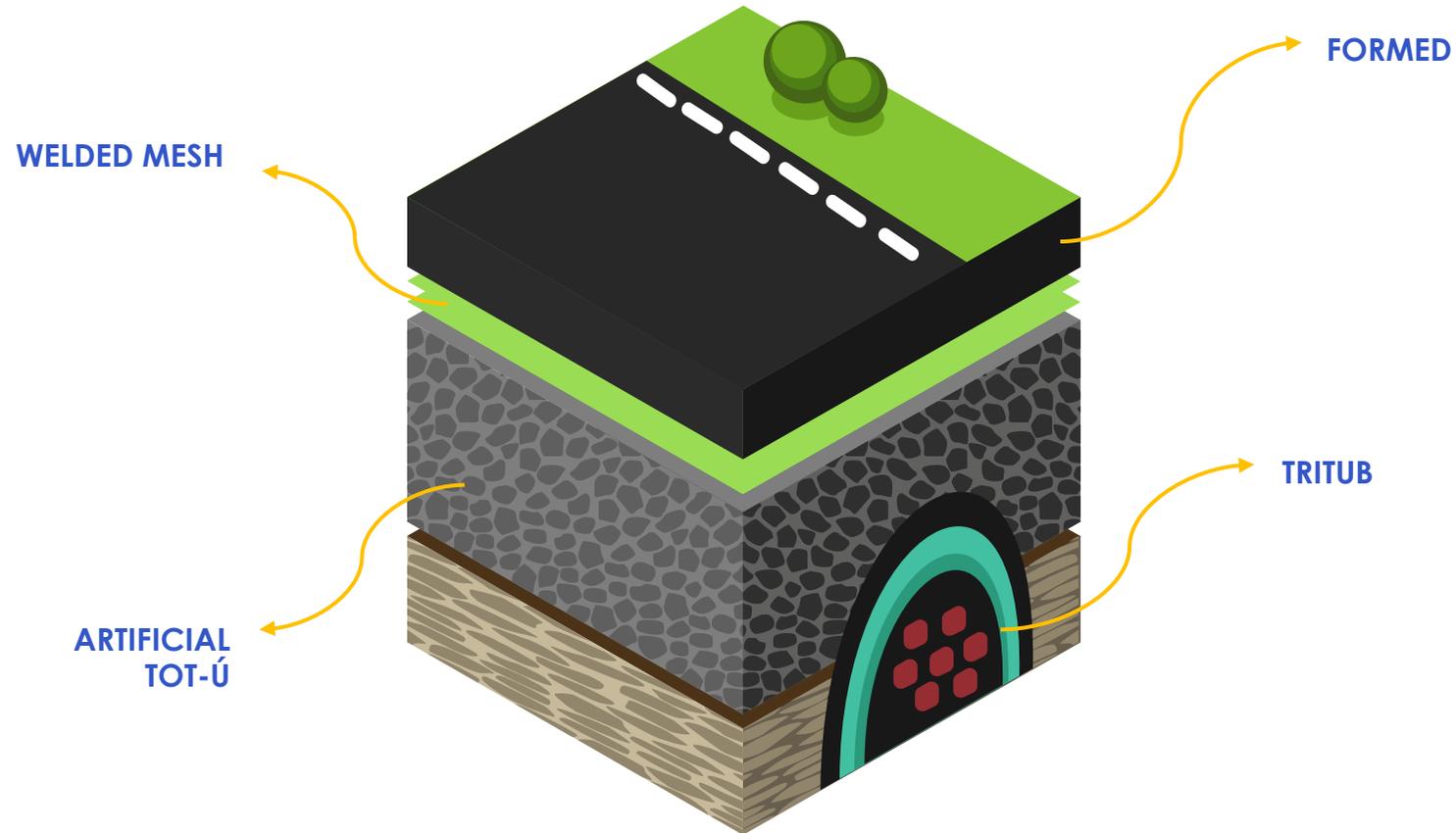
- Immediate information.
- Global thinking.
- Reduces distance barriers.
- Learning.
- Telecommuting / jobs.
- Tele-health.
- Entertainment Entrepreneurship / networking.

NECESSARY CONDITION TO PROGRESS



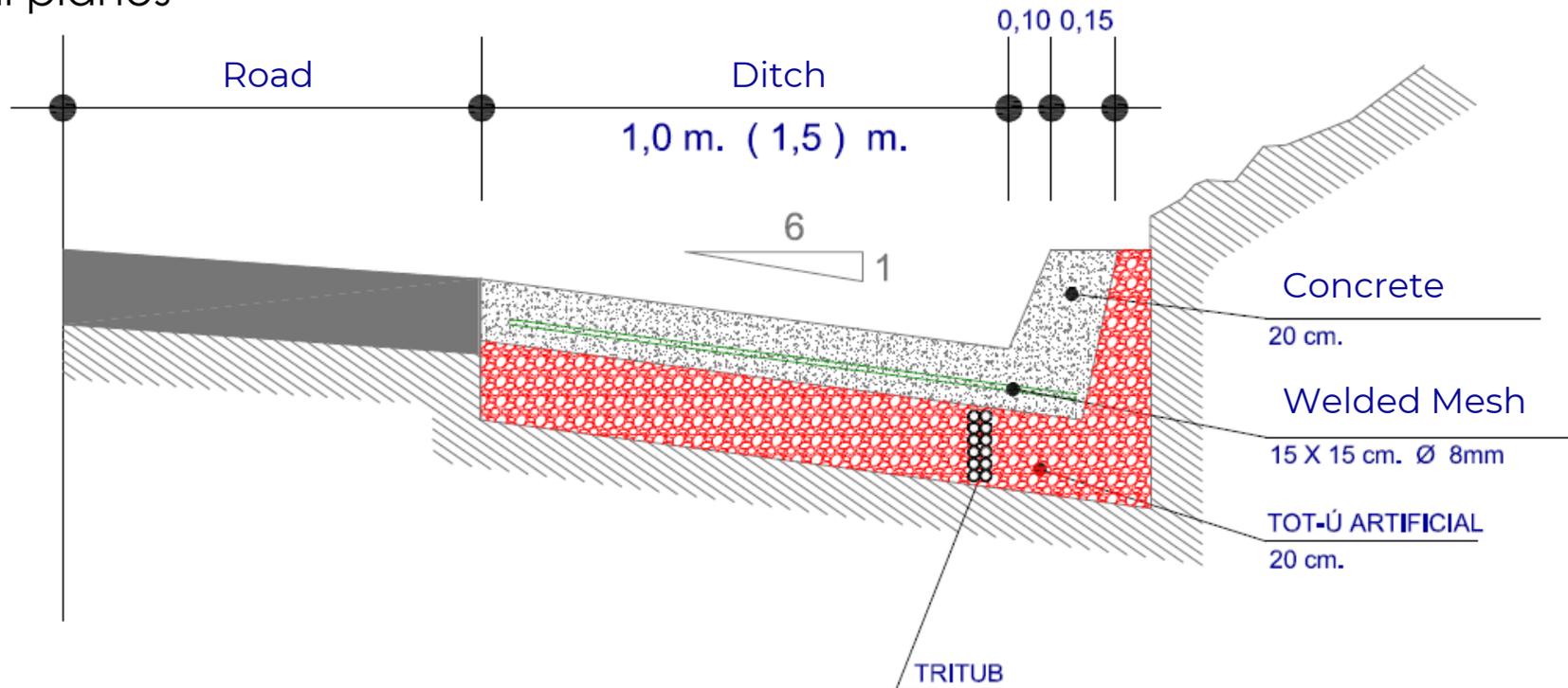
What is the idea?

Make the fiber optic duct at the same time as making / rebuilding the road



They put the fiber after the road (and it never stays the same)

Technical planes



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The eternal story:

They lay the fiber after they are built

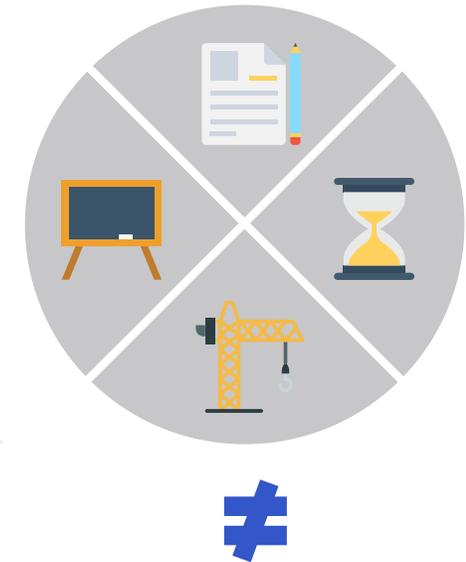


When the idea is not aligned with the traditional business

1 obstacle Alignment with the planned and budgeted work schedule

How to proceed:

- Prepare a business case, Cost benefit.
- Prepare a model / prototype.
- Capture the data that helps us build the narrative

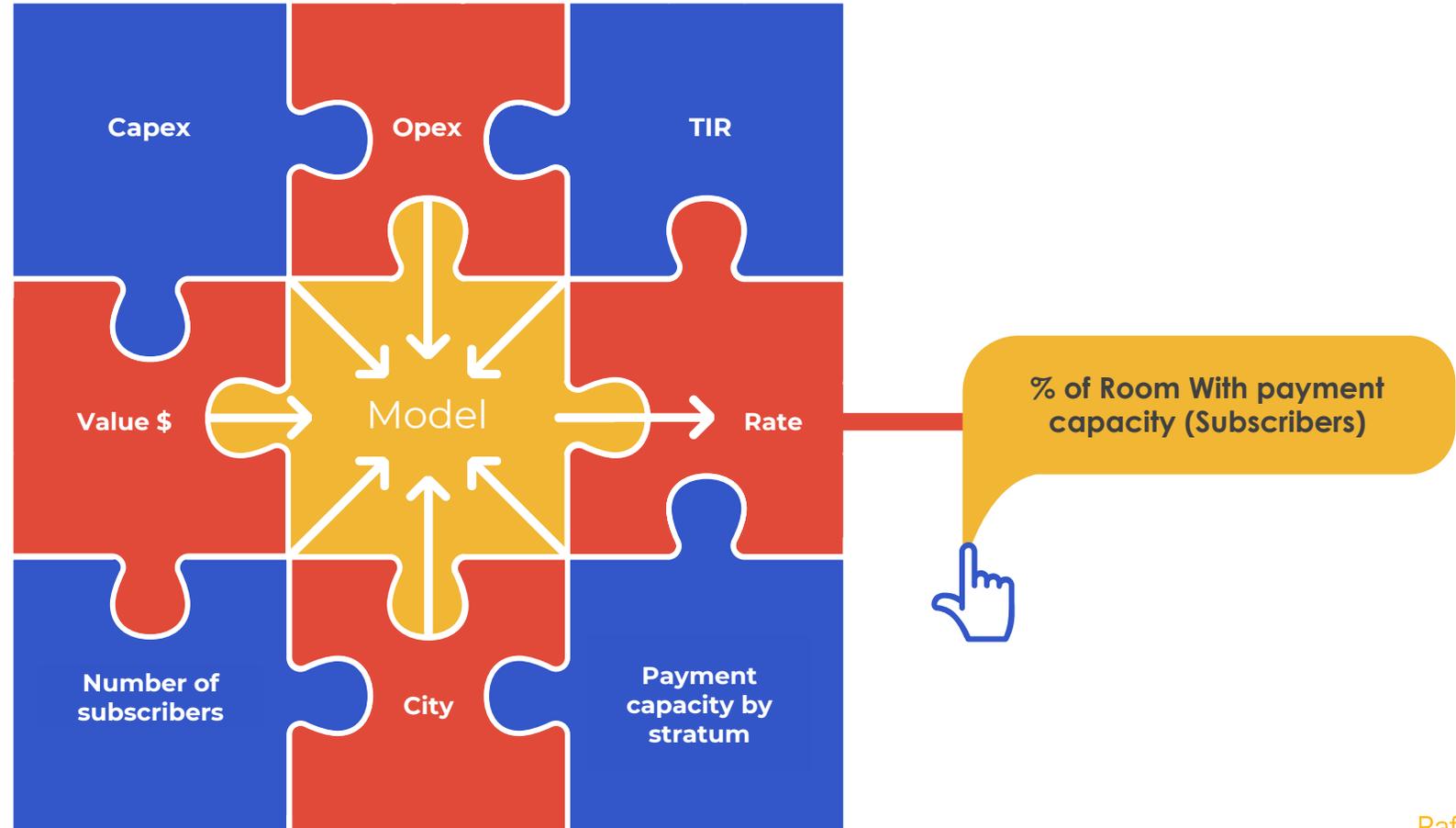


NEED / OPPORTUNITY



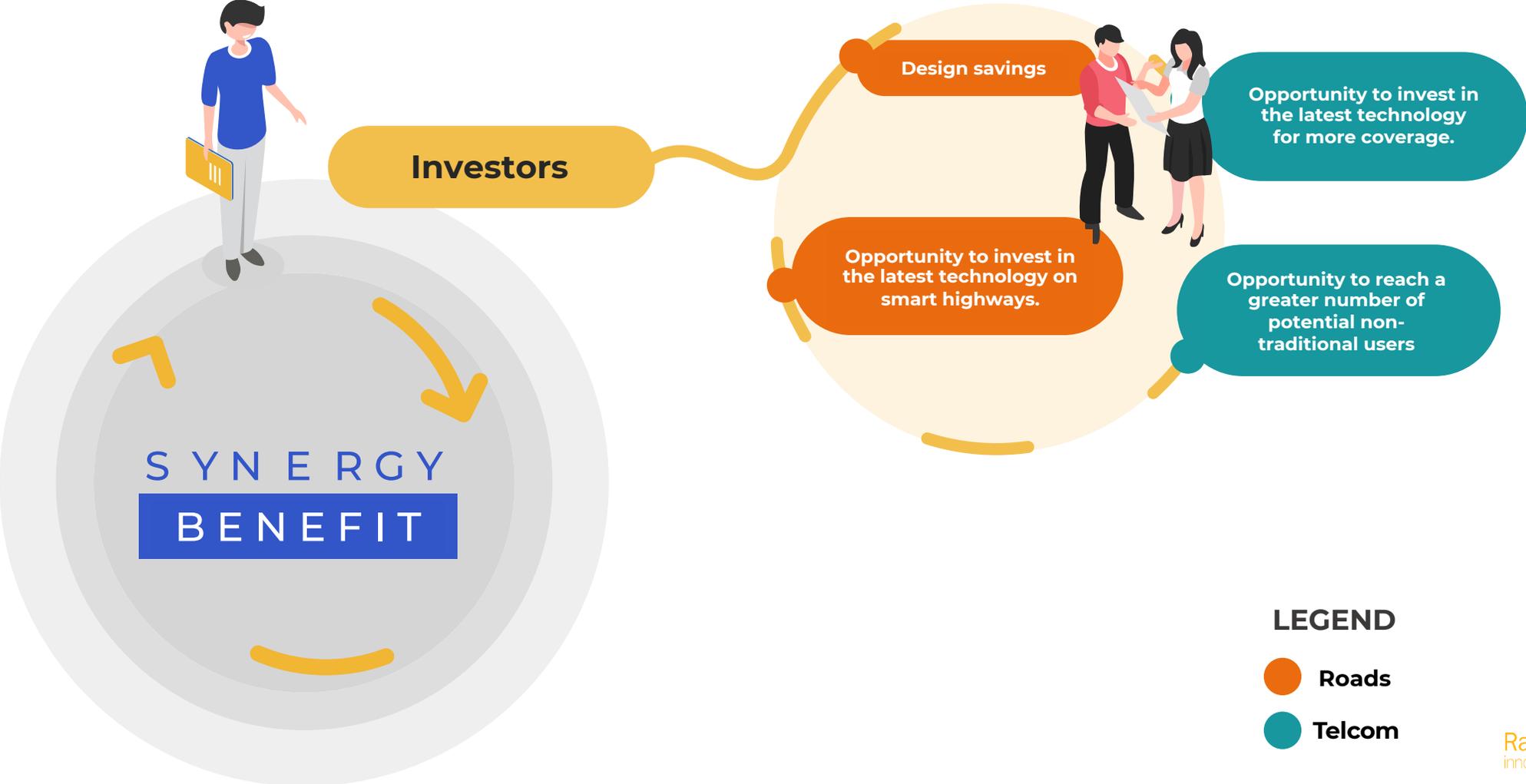
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Sensitivity prototype: access vs. Triple play service fee



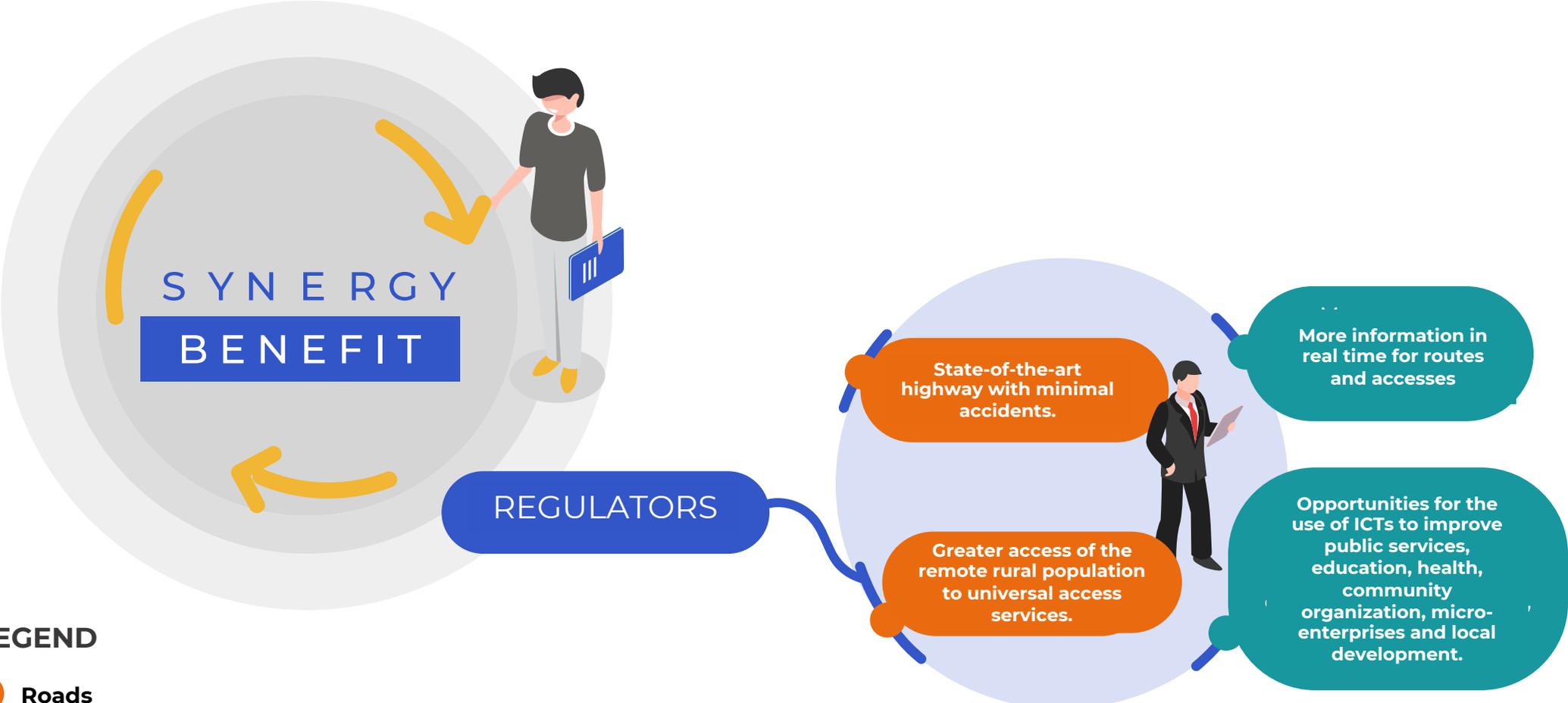
Benefits of this synergy:

Roads - Telecom



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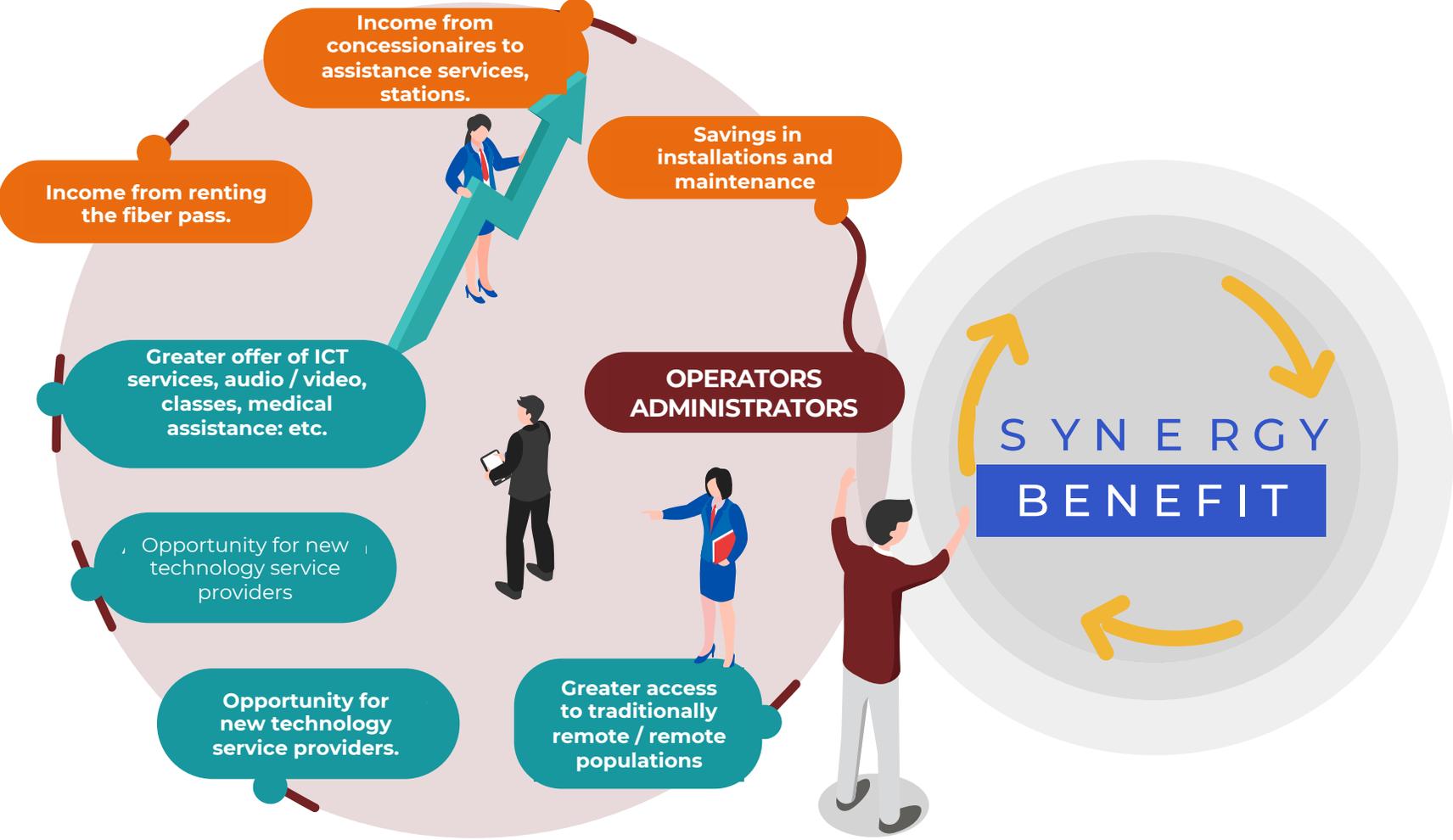
LEGEND

- Roads
- Telcom



Benefits of this synergy:

Roads - Telecom



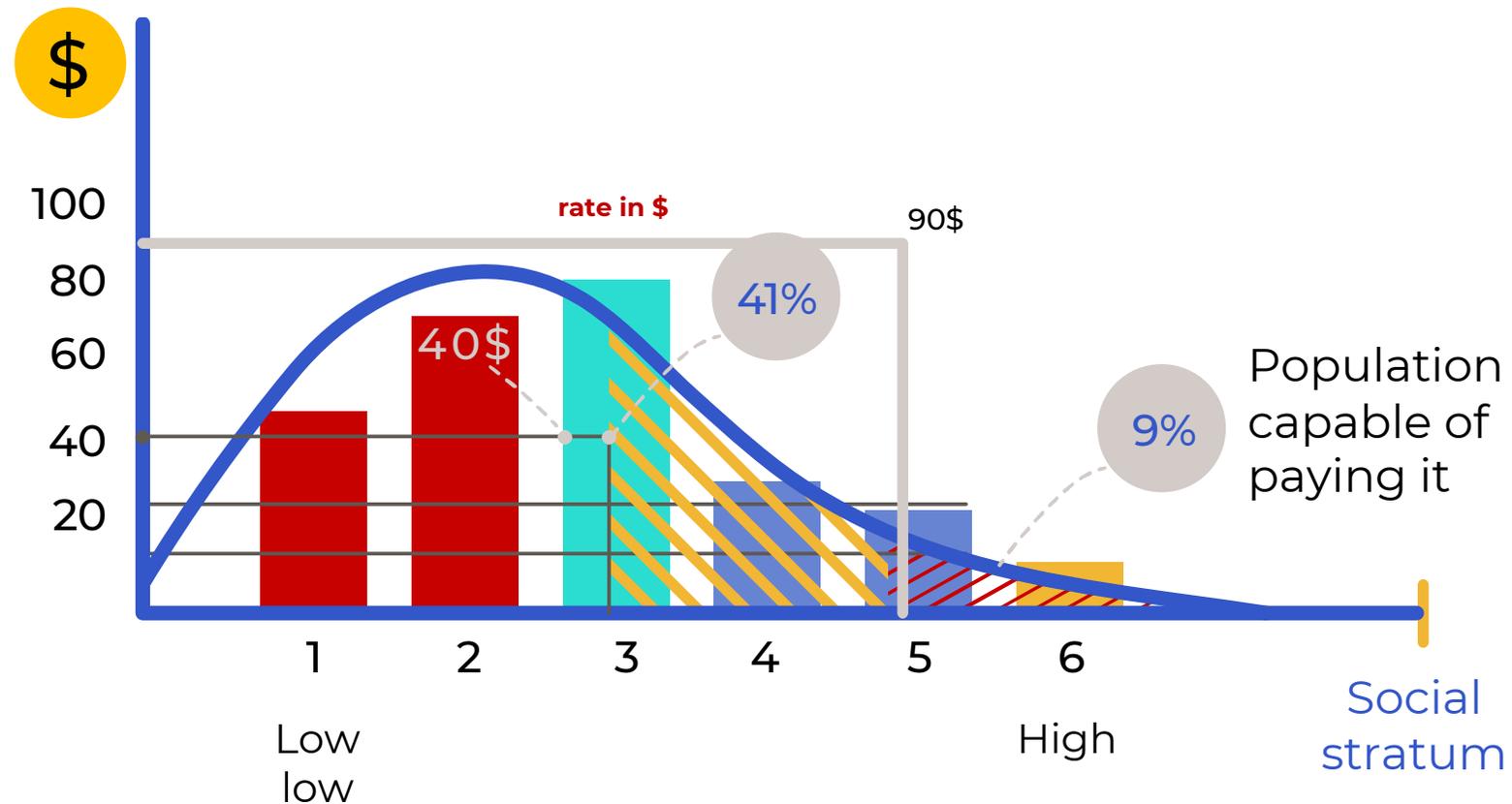
LEGEND

- Roads
- Telecom



Model sensitivity when decreasing from \$ 90 to \$ 40.

41% increase subscribers to access or connectivity (BA) 1



Cognitive biases or domain differences

2 obstacle Cognitive biases domain differences

How to proceed:

- Construct a narrative that identifies and minimizes risks and cognitive biases



How to consider our risks when exposing ourselves to supervisors

I DONT
KNOW



Positively
surprised



Black
Swan

I KNOW



Confident
insurance



Distrustful
Doubt

WHAT I KNOW

WHAT I KNOW

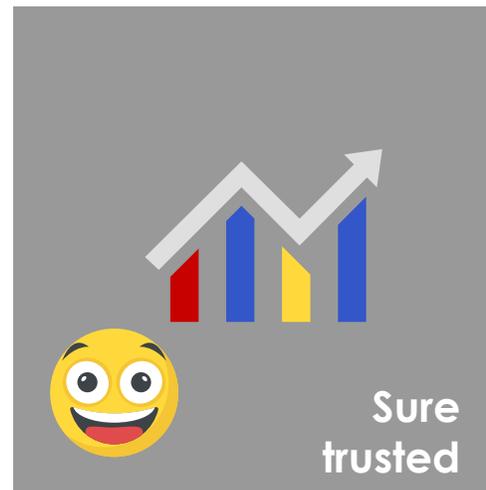


Un ejemplo: El observatorio P-I-S

I DONT
KNOW



I KNOW



WHAT I KNOW

WHAT I KNOW



Facts, failures and achievements.



DONE

- Campaign to disseminate the idea.
- Attendance at telecommunications / infrastructure congresses.
- Conversations and internal workshops with VIN executives.

FAILURES

- Highway that connects Quito with the new airport (50KM).
- Highway of the Sierra Andina in Peru (2000 km)

ACHIEVEMENTS

- Make it law in Colombia: Conpes 2010
- Conpes Document
- Include it in the Caranavi-Trinidad electrical network in Bolivia.



Lessons learned:

Findings

- The telecommunications sector did not show much interest.
- The TELCOM and highways sectors do not have natural relationships
- Coordination and collaboration costs are very high

Causes

- The model is based on the structure of costs and benefits of Telcom and they were not interested in showing them to the public.
- IRR = 11% which is good in the road sector; However, it is very bad in Telco that they are around 60%
- The nature and history of the sectors is very different from each other, in tradition, returns and culture.

Mitigants

- Government incentives are needed via regulations to reduce coordination costs
- A facilitator is essential to coordinate win-win actions between both sectors
- It is possible to use market incentives combining good regulations and PPP's collaboration.





THANK YOU

We are lucky...



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