

TC ABSTRACT

I. Basic Project Data

▪ Country/Region:	REGIONAL/CCB - Caribbean Group
▪ TC Name:	Connecting the Caribbean to Digital Regional and Global value Chains
▪ TC Number:	RG-T3826
▪ Team Leader/Members:	UMANA, MARIO ALBERTO (INT/TIN) Team Leader; ESTEVES, YASMIN (INT/INT); DELGADO OJEDA, QUEILA (INT/TIN); CAWLEY, SHANALEE VENESHA (INT/TIN); MENDOZA BENAVENTE, HORACIO (LEG/SGO); VASCO HENAO, OSCAR DARIO (INT/TIN); SONNEVELD DE PRADO, ADRIAAN JAN (INT/TIN); MARQUEZ, CHRISTIAN JOHN (INT/TIN); DORANTES GOMEZ, ANGELA CARMELIA (INT/INT)
▪ Taxonomy:	Client Support
▪ Number and name of operation supported by the TC:	N/A
▪ Date of TC Abstract:	18 Jun 2021
▪ Beneficiary:	Barbados, Jamaica, Trinidad and Tobago
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK
▪ IDB funding requested:	US\$225,000.00
▪ Local counterpart funding:	US\$0.00
▪ Disbursement period:	36 months
▪ Types of consultants:	Individuals; Firms
▪ Prepared by Unit:	INT/TIN - Trade & Investment
▪ Unit of Disbursement Responsibility:	INT/INT - Integration and Trade Sector
▪ TC included in Country Strategy (y/n):	No
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Economic integration

II. Objective and Justification

- 2.1 The objective of this Technical Cooperation is to facilitate digital trade in Caribbean countries by creating the necessary legal framework to support it, and to attract FDI to digital sectors that may increase the participation of SMEs in global value chains (GVCs).
- 2.2 Digitalization is reducing the cost of engaging in international trade, connecting businesses and customers easier, and facilitating the coordination of GVCs. However, the growth of digital trade is dependent upon greater interconnectivity across borders. There are five elements that can be considered as the foundation of digital trade integration: reducing digital trade barriers; digital trade facilitation; digital trade regulatory frameworks and digital trust policies; digital development and inclusion; and institutional coordination. Similar to the standardization of technological protocols that liberalize the flow of information and support system integrations, regional alignment of legal and regulatory frameworks to international standards that give credence to digital trade can catalyze the digital economy in these countries and provide the foundation for SMEs to successfully participate in GVCs. Laws and technical standards are not uniform across countries and types of operators, and this hinders mutual legal recognition and technical interoperability. The adoption of UNCITRAL texts for the digital economy such as the UN Convention on Electronic Communications and the

Model Law on Electronic Transferable Records (MLETR) in the region would support the objective of catalyzing the digital economy, increasing participation in GVCs and trade facilitation.

- 2.3 Foreign direct investment (FDI) has become a central pillar in the economy of many countries and a source for resources that complements the national investment, generating new jobs, promoting insertion of SMEs in GVC, increasing productivity and exports, with positive impacts on the local economy . Evidence indicates that each US\$1 invested in investment attraction programs can generate up to US\$56 in the host economy . Efforts in investment promotion are therefore recommended, particularly taking in consideration the 3.3% global growth contraction, 7% for LAC, in 2020, and the estimated global growth of 6%, 4.6% for LAC, in 2021.
- 2.4 Covid-19 has deeply redrawn the global investment matrix, accelerating a momentous paradigm shift towards renewable energy and digital technologies, while wiping out capital expenditure in major sectors such as tourism and automotive. The intensification of digital transformation will be particularly pronounced for R&D (69%), corporate headquarters (64%), and distribution (60%) where companies expect to increase the use of digital technologies and automation. The earlier trend towards more and better developed targeting by IPAs may be accentuated. Prior to the crisis, several IPAs had been reflecting and developing tools to better identify and support FDI projects that can have the highest impact on the local economy and support sustainable and green growth, as well as IPA's staff, in the increasingly professionalized world of investment promotion, need to understand the international strategy decisions, investment priorities and decision-making processes of TNCs and their sectors.

III. Description of Activities and Outputs

- 3.1 **Component I: Gap assessments for adoption and implementation of the UNCITRAL texts.** This component will finance a regulatory review of the electronic transactions framework, legal gap analysis and legislative drafting for the adoption and implementation of the of the UNCITRAL texts in the beneficiary countries.
- 3.2 **Component II: Enhanced IPAs institutional capacity promoting Digital Sectors FDI.** This component will finance: (I) an analysis to assess the countries' competitive advantage into attracting foreign direct investment in digital sectors. It must include selection of 4 subsectors with higher potential and benchmarking with the most relevant competitors. (II) capacity building of IPAs personnel in the selected sector, including workshops, training sessions, and other initiatives with digital sector experts. (III) dissemination of results
- 3.3 **Component III: Regional Workshop .** This component will finance regional workshops to support the goals of the TC. The Regional workshops will be held during the 2nd quarter of 2022, following its design. The target audience will be the Law Associations and the legislative drafter on one hand and investment promotion agencies of the beneficiary countries on the other.
- 3.4 **Component IV: Technical Coordination.** Technical Coordination

IV. Budget

Indicative Budget

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
Gap assessments for adoption and implementation of the UNCITRAL texts	US\$60,000.00	US\$0.00	US\$60,000.00
Enhanced IPAs	US\$100,000.00	US\$0.00	US\$100,000.00

institutional capacity promoting Digital Sectors FDI			
Regional Workshop	US\$40,000.00	US\$0.00	US\$40,000.00
Technical Coordination	US\$25,000.00	US\$0.00	US\$25,000.00
Total	US\$225,000.00	US\$0.00	US\$225,000.00

V. Executing Agency and Execution Structure

- 5.1 The Bank will be the project's executing agency, through INT/TIN, in coordination with the Countries Offices. The project will finance a technical coordinator. Project output indicators will be monitored very closely.
- 5.2 The Bank will execute this TC due to the following reasons: (i) given the regional character of the project and the fact that it needs a high level of coordination and interdependence; (ii) INT/TIN has been the institutional coordinator, mediator, and interlocutor for all relevant activities of different regional initiatives; (iii) the IDB has the technical experience and capacity to ensure a high quality of products and activities to be carried out for this project; (ii) weak institutional capacity of the beneficiary institutions in the beneficiary countries. These justifications are aligned with that foresight in Annex 2 of the Procedures for the Processing of Technical Cooperation Operations and Related Matters OP-619-4.
- 5.3 The execution and disbursement period will be 36 months respectively and the UDR will be INT/INT. All activities to be executed under this TC will be included in the Procurement Plan and will be contracted in accordance with Bank policies as follows: (i) AM-650 for Individual consultants; (ii) GN-2765-4 and Guidelines OP-1155-4 for Consulting Firms for services of an intellectual nature; and (iii) GN2303-28 for logistics and other related services.

VI. Project Risks and Issues

- 6.1 Implementation of a regional project implies a higher level of complexity, as well as risks related mainly to inter-institutional coordination and asymmetries in information. It is expected that these risks will be mitigated by having the IDB as the executing agency, especially considering that the Bank has and will continue coordinating relevant and related activities with the different public institutions responsible for trade and investment facilitation in the Caribbean region.

VII. Environmental and Social Classification

- 7.1 The ESG classification for this operation is "C".