

TC Document

I. Basic Information for TC

▪ Country/Region:	REGIONAL
▪ 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; Cawley, Shanalee Venesha (INT/TIN); Delgado Ojeda, Queila (INT/TIN); Dorantes Gomez, Angela Carmelia (INT/INT); Esteves, Yasmin (INT/INT); Marquez, Christian John (INT/TIN); Mendoza Benavente, Horacio (LEG/SGO); Sonneveld De Prado, Adriaan Jan (INT/TIN); Vasco Henao, Oscar Dario (INT/TIN)
▪ Taxonomy:	Client Support
▪ Operation Supported by the TC:	N/A
▪ Date of TC Abstract authorization:	18 Jun 2021
▪ Beneficiary ¹ :	Jamaica, Trinidad and Tobago
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	OC Strategic Development Program for Integration(RIN)
▪ IDB Funding Requested:	US\$225,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	36 months
▪ Required start date:	January 2022
▪ Types of consultants:	Consultants and 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):	Yes
▪ TC included in CPD (y/n):	N/A
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Economic integration; Institutional capacity and rule of law; Gender equality; Diversity

II. Objectives and Justification of the TC

- 2.1 The objective of this Technical Cooperation (TC) is to connect firms in the beneficiary countries to digital regional and Global Value Chains (GVCs) (i) through the enhancement of the legal framework that supports digital trade facilitation, and (ii) by attracting Foreign Direct Investment (FDI) to digital sectors. The countries, through their legislative drafters of Parliamentary Councils, Policy Officers in Ministries of Trade, as well as JAMPRO in Jamaica and InvestTT in Trinidad and Tobago will benefit from the outputs of this TC.
- 2.2 Digitalization is reducing the cost of engaging in international trade, simplifying the connection between businesses and customers, and facilitating the coordination of

¹ Other beneficiaries may be added to the technical cooperation without prejudice, subject to receipt of letters of request from the liaison authorities.

GVCs.² However, the growth of digital trade is dependent upon greater interconnectivity across borders. This digital trade integration is a complex, multidimensional process that integrates regulatory structures, policy designs, digital technologies, and business processes along the entire global digital value chain. In fact, two cross-cutting, foundational elements of digital trade integration are digital trade facilitation, and digital trade regulatory frameworks.³

- 2.3 Digital trade integration necessarily requires coherent and consistent digital trade regulatory frameworks. Diverging or conflicting regulatory frameworks impose significant constraints on digital trade by increasing regulatory compliance costs for cross-border electronic commerce companies as well as reducing the efficiency and integrity of digital technologies. Akin to technological standardization that supports software integration and liberalizes the flow of data, aligning and converging the legal and regulatory frameworks of digital trade within the region to international standards can catalyze the digital economy in these countries, improve digital trade facilitation and provide the foundation for digital trade integration.
- 2.4 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 Small and Medium Enterprises (SMEs) in GVC, increasing productivity and exports, with positive impacts on the local economy.⁴ Evidence indicates that each US\$1 invested in investment attraction programs can generate up to US\$56 of additional investment in the host economy.⁵ Efforts in investment promotion are therefore recommended, particularly taking in consideration the 3.3% global growth contraction, 7% for Latin America and the Caribbean (LAC), in 2020, and the estimated global growth of 6%, 4.6% for LAC, in 2021⁶.
- 2.5 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.⁷ The intensification of digital transformation will be particularly pronounced for Research and Development (R&D) (69%), corporate headquarters (64%), and distribution (60%) where companies expect to increase the use of digital technologies and automation.⁸ The earlier trend towards more and better developed targeting by Investment Promotion Agencies (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,⁹ as well as IPA's staff, in the increasingly professionalized world of investment promotion, need to understand the international strategy decisions, investment

² OECD (2019), "Trade in the Digital Era", *OECD Going Digital Policy Note*, www.oecd.org/going-digital/trade-in-the-digital-era.pdf.

³ D. Mitchell & Mishra (2020), "Digital Trade Integration in Preferential Trade Agreements", ARTNeT Working Paper Series, No. 191.

⁴ Javorcik, 2013.

⁵ Volpe Martincus, C. (2021) Making the Invisible Visible: Investment Promotion and Multinational Production in Latin America and the Caribbean, Special Report on Integration and Trade, IDB, Washington, DC, forthcoming.

⁶ IMF, World Economic Outlook, April 2021, [Link](#).

⁷ Investor Monitor FDI Markets.

⁸ IBM's report Global Location Trends 2020.

⁹ Investment promotion agencies in the time of Covid-19, OECD June 2020.

priorities and decision-making processes of Transnational Companies (TNCs) and their sectors.¹⁰

- 2.6 Against this background, the adoption of **UNCITRAL texts** such as the UN Convention on Electronic Communications and the Model Law on Electronic Transferable Records (MLETR) in the beneficiary countries can help connect SMEs to digital regional and global value chains, by harmonizing the exchange and acceptance of electronic documentation. In parallel, **IPAs' capacity building in digital sectors** can foster the diversification of economies, generating local employment, facilitating new investments, and contributing to their Sustainable Development Goals (SDGs) objectives. Digital sectors, not only have a lesser environmental impact, but also gender gaps can be adequately addressed. Consultation with the governments and IPAs from the beneficiary countries have revealed agreement in the strategic importance of the digital sector's development and digital trade integration in their strategies, particularly as Small Islands States.
- 2.7 The TC is aligned with the IDB Group Vision 2025 (AB-3266) regarding the strengthening of regional integration through promotion of investment, as well as with the Concept Note Strengthening Regional Value Chains in Latin America and the Caribbean (GN-3038), since it highlights as one of the priority actions designing and implementing IPA institutional strengthening strategies, with the aim of attracting further FDI and increasing employment in LAC. The TC is consistent with the Update to the Institutional Strategy (AB-3190-2) and with the Ordinary Capital Strategic Development Program for Integration (GN-2819-1) by aligning itself with the challenges of: (i) Economic Integration, by increasing participation in regional and global value chains through improving the digital trade and investment environment; (ii) Strengthening the Bank's borrowing member countries' capacities to engage in regional initiatives, by supporting the digital capacities and programs of the countries in fostering FDI and increasing their participation in regional and GVCs. The TC is consistent with the areas of intervention identified in the IDB Group Country Strategy with Jamaica 2016-2021 (GN-2868), in particular, the strategic area of increasing private sector productivity and growth through reforms that directly improve the business and innovation climate; and the areas of intervention identified in the IDBG Country Strategy with the Republic of Trinidad and Tobago 2016-2020 (GN-2888), in particular, the modernization of the public policies for business and trade facilitation through actions to build capacity and synergies in government agencies responsible for export promotion and investment attraction. The TC is strategically aligned with the cross-cutting area of Institutional Capacity and Rule of Law, by strengthening the technical capacity of beneficiary countries in digital trade and investment matters, and with Gender and Diversity, as it seeks to ensure that the products developed incorporate the gender perspective. The TC is also aligned with the priorities (trade facilitation and investment promotion) defined in the [Integration and Trade Sector Framework Document](#) (GN-2715-11).
- 2.8 This TC also complements RG-T3999, the main objective of which is to promote the Caribbean as a region to locate investment. The countries' IPAs are joining efforts to attract investors to the region, using digital tools in a digital campaign. The component of a more integrated digital region could assist the purpose of marketing the Caribbean

¹⁰ Promoting Investment and Trade: Practices and Issues UNCTAD 2009.

as a whole, while using digital campaigns may assist in creating a more positive perception of the region as a pro-digital region.

III. Description of activities/components and budget

- 3.1 **Component 1. Gap assessments and legislative drafting for adoption of the UNCITRAL texts (US\$75,000).** This component will finance a regulatory review of the beneficiaries' electronic transactions framework, including a gap analysis to identify disparities between existing enacted legislation and best practice, highlighting key enablers of digital trade and integration. It will also finance legislative drafting and support for the adoption and implementation of the UNCITRAL texts. A virtual regional workshop will be organized to support the goal of digital trade integration. The workshop will likely be held during the 2nd quarter of 2023, following the work in each beneficiary country. The target audience will be the relevant regulatory bodies, law associations, legislative drafters and ministries involved in legislative affairs, digital transformation, and trade. **Outputs:** (i) legal gap analysis report and legislative draft for each beneficiary country, (ii) regional workshop; **Results:** (i) increased likelihood that the beneficiary countries will adopt legislation to enhance their digital trade framework through electronic communications, (ii) increased awareness of and prospects for the convergence of electronic transactions frameworks within the region.
- 3.2 **Component 2. Enhanced IPAs institutional capacity promoting Digital Sectors FDI (US\$125,000).** This component will finance:
- (i) An analysis to assess each country's competitive advantage in attracting foreign direct investment in digital sectors. It will include the selection of four (4) subsectors with higher potential and benchmarking against the most relevant competitors. It will also include an assessment on which subsector could impact more positively on gender equality and inclusion.
 - (ii) Capacity building of IPA personnel in the selected sector. This will include training for the investment officers in charge of the digital portfolio in the IPAs, in the preparation of: (a) each country's digital value proposition, (b) relevant and well refined FDI-attraction marketing materials, and (c) lead generation strategies and their execution, such as meeting requests, presentation delivery, successful business meetings and follow-up post-meeting actions. As part of the training, the IPA's Digital Portfolio Investment officers will participate in internationally recognized, specialized tradeshows where their target companies participate. In addition, an expert will provide mentoring to the Digital Investment Officer designated by the IPA.
 - (iii) Dissemination of results. **Output:** analysis and assessment report, which must include identification of target sectors that best match the value proposition offered by each country, and sectorial training to IPAs' staff. **Result:** Increase IPAs knowledge capacity to attract FDI into digital sectors and help them to put the focus and resources on those sectors with the most potential.
- 3.3 **Budget.** The total cost of the TC is US\$225,000 funded with resources from the Ordinary Capital Strategic Development Program for Integration (RIN).

Indicative Budget (US\$)

Activity/ Component	Description	IDB/RIN	Total Funding
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C1: Gap assessments and legislative drafting	Gap assessments for adoption and implementation of the UNCITRAL texts	75,000.00	75,000.00
C2: Enhanced IPAs institutional Capacity promoting Digital Sectors FDI	Analysis to assess the countries' competitive advantage into attracting foreign direct investment in digital sectors	45,000.00	45,000.00
	Capacity building of IPAs personnel in the selected sector, including workshops, training sessions, and other initiatives with digital sector experts	75,000.00	75,000.00
	Dissemination of results	5,000.00	5,000.00
Technical Coordination	Management of activities and coordination with countries and organizations	25,000.00	25,000.00
Total		225,000.00	225,000.00

- 3.4 Supervision of the TC will be carried out by INT/TIN Lead Trade Specialist, Mario Umaña, from IDB headquarters in Washington DC.
- 3.5 The implementation of the Components of this TC will be monitored by a Coordinator, hired with resources from the Technical Coordination component, and in collaboration with the Team Leader. The main purpose of the Technical Coordination component is to create a coordination point within the Bank to oversee and monitor all activities undertaken as part of this TC, given the regional scope of its implementation. In this context, this component will coordinate the production of status reports; communication with all relevant stakeholders; organization of any necessary meetings; and development of supporting research for Components 1 and 2.

IV. Executing agency and execution structure

- 4.1 In accordance with Annex II of the Procedures for the Processing of Technical Cooperation Operations and Related Matters (OP-619-4), at the request of the beneficiary countries, the Bank shall be the Executing Agency (EA), through the Trade and Investment Division (INT/TIN) of the Integration and Trade Sector (INT/INT). Given the regional character of the project and the fact that it needs a high level of coordination and interdependence, the Bank has the technical experience and capacity to ensure a high quality of products and activities to be carried out for this project. Moreover, INT/TIN has been the institutional coordinator, mediator, and interlocutor for all relevant activities of different regional initiatives. The requesting entities do not have the necessary technical, operational or institutional capacity to duly and timely execute the activities provided in this project.
- 4.2 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 have been included in the Procurement Plan (see Annex IV) 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.

V. Major issues

- 5.1 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. In addition, post-pandemic recovery may impact project execution by varying degrees in each country, as country restrictions are continuously evolving and priorities adjusting. Given the subject area is seen as a priority area for recovery within the Bank and the region, the team believes that stakeholder commitment will persist, and the risk of restrictions will be managed using a combination of tools such as virtual communication, leveraging resources and counterparts in country offices.

VI. Exceptions to Bank policy

- 6.1 There are no exceptions to Bank policy.

VII. Environmental and Social Strategy

- 7.1 This operation has been classified under the "C" category in accordance with the Environment and Safeguards Compliance Policy (OP-703).

Required Annexes:

[Request from the Client - RG-T3826](#)

[Results Matrix - RG-T3826](#)

[Terms of Reference - RG-T3826](#)

[Procurement Plan - RG-T3826](#)