PROJECT PROFILE
TRINIDAD & TOBAGO

I. BASIC INFORMATION

Project Name:	Global Services Promotion Program
Project Number:	TT-L1038
Project Team:	Ady Beitler (INT/TIU), Team Leader; Vashtie Dookiesingh (MIF/CTT); Gregory Dunbar (FMP/CTT); Guillermo Eschoyez (LEG/SGO); Shirley Gayle (FMP/CTT); Dale James (CCB/CTT); Dana King (ICS/CTT); Candice Lackhansingh (CCB/CTT); Caroline Levington (INT/TIU); Fazia Pusterla (SPD/SDV); Mario Umaña (INT/TIU); and Oscar Vasco (INT/TIU)
Borrower:	Republic of Trinidad and Tobago
Executing Agency:	Ministry of Planning and Sustainable Development (MPSD)
Financing Plan:	IDB (Ordinary Capital): US$ 18,000,000
	Total: US$ 18,000,000[1]
Safeguards:	Policies triggered: OP-102; OP-761
	Classification: C

II. GENERAL JUSTIFICATION

2.1 The information technology-enabled global services market (ITeS)[2] has been one of the most dynamic in the 21st century, increasing nearly tenfold since 2004,[3] and achieving estimated revenues of US$400 billion in 2012.[4] The rapid growth of the ITeS industry represents a particularly important opportunity for Trinidad and Tobago (TT). With an economy highly concentrated in the oil and natural gas industries,[5] the Government of Trinidad and Tobago (GORTT) has made it a national priority to "achieve economic inclusiveness in an innovation-driven growth economy".[6] In this context, in 2011 the GORTT set forth a Medium-Term Policy Framework based on seven action pillars, one of which is, precisely, the development of ITeS.[7]

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[1] The amount was estimated based on the assumption that the program will support the purchase of a building facility for purposes of executing Component I. Notwithstanding, the decision on whether to purchase or rent a building will be subject to a feasibility study in process of development. Should the cost of Component I decrease because a determination is made to the effect of renting a building, the program is expected to increase the difference in Component II, particularly in the promotion of the Diasporas program (Paragraph 3.3(d)).

[2] Also known as "global" or "offshoring" services when delivered internationally.

[3] IDB (2012) calculation with OECD, NASSCOM, and BCG data.

[4] Forecast based on average growth rates of revenue estimates from OECD, NASSCOM, and BCG, as cited in Nearshore Americas White Paper. "Going Global: The 2012 Investor's Guide to Mexico's Business and Technology Services" (retrieved Nov. 2012).

[5] Accounting for two thirds of the country's exports - WTO (2011) International Trade Statistics (retrieved Jul. 2013).

[6] Government of the Republic of Trinidad and Tobago, Ministry of Planning and the Economy (2011), "Innovation for Lasting Prosperity, Medium Term Policy Framework 2011-2014" (retrieved Jul. 2013).

[7] Ibidem.

2.2 Evidence suggests that at the time of selecting an investment destination for the ITeS industry, foreign investors consider three types of variables: the country's cost structure (wages, infrastructure use, taxes), the current and potential availability of qualified human capital, and the country's business climate (regulatory procedures and incentives, intellectual property protection, etc.).[9]

2.3 Based on these variables, in 2011 and 2012 the Bank conducted a detailed assessment of the country's potential to develop the ITeS industry.[10] The conclusion was positive in this regard, based on four reasons. First, people in TT are native English-speakers and the country has a similar time zone to the US and Canada (the world's largest markets for ITeS).[11] These variables are relevant for competitiveness, insofar as a similar time zone allows daytime shifts (which are more in demand as well as complementary to the night shifts in practice in industry powerhouses India and the Philippines) and since the major clients are English-speaking countries, Trinidad and Tobago maintains an advantage vis-à-vis competitors in Latin America (e.g. Chile, Costa Rica, and Uruguay). Second, TT has a good information technology infrastructure by regional standards, according to World Economic Forum's Network Readiness Index.[12] And third, the human capital of the country is well prepared and growing. In this sense, the WEF World Economic Forum ranks the country 37th among 138 countries for the quality of its education system.[14]

2.4 Notwithstanding the above, TT remains a small player in ITeS. In fact, the country does not rank on important international indices such as the AT Kearney Global Services Location Index or the Tholons 100 Top Outsourcing Cities. In the assessment conducted by the team in preparation for this program, the companies interviewed expressed the following concerns as reasons for this lag.[16] First, the difficulty of scaling up operations. Given the limited availability of qualified human capital.[17] To overcome this barrier, best practices in comparable areas recommend the setup of spaces that incorporate institutional support to increase export capacity, tailored private sector-driven training for students and career-changers, and opportunities for networking and collaboration.[18] Second, companies are mindful

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[9] A.T. Kearney (2004), Offshoring Location Attractiveness Index: Making Offshore Decisions.

[10] IDB & Tholons (2012), Trinidad and Tobago: exploring opportunities in the Global IT Services Market.

[11] Combined, they account for 43 percent of global spending on IT services and 51 percent of total market demand. NASSCOM (2011) and Datamonitor (2009), cited in Gereffi & Fernandez-Stark (March 2010:3), The Offshore Services Global Value Chain.

[12] World Economic Forum (2011), The Global Information Technology Report 2010–2011. A more detailed analysis of this ranking will be provided in the POD.

[14] "Expanding the GATE on Tertiary Education: Is It Justified?", Trinidad Express, January 10, 2012

[16] IBD & Tholons (2012).

[17] While a population of only 1.3 million may seem to be a limiting factor, Jamaica (population 2.7 million) ranks 33rd among the global top 50 locations in the 2011 AT Kearney index, and San Juan, Puerto Rico (population 390,000) appears in the 2012 Tholons Top 100 cities for outsourcing.

[18] In Korea, KOTRA offers investors space in the Invest Korea Plaza, a complex featuring office and conference facilities, comprehensive services ranging from investment consultation to Korean business culture and daily life, and an onsite KOTRA Academy; in Chile, Startup Chile provides foreign young professionals with business space where they receive trainings and coaching, and where they interact with colleagues to foster a collaborative environment (www.startupchile.com); the East London Tech City Initiative offers investors and startups assistance finding information, contacts and partners, and shared workspace and trainings (http://www.techcityuk.com);

that valuable business opportunities are being missed simply Best practices in this area recommend a sector branding campaign. [19] In the case of TT, one effective way to channel these efforts could be through the diaspora, as the emigration rate of highly skilled Trinidadians and Tobagonians to OECD countries approached 80% in the last decade, the sixth highest in the world.[20] And finally, local companies underscored TT's need to effectively implement regulatory reforms for the ITeS industry, in areas such as intellectual property and data privacy,

III. OBJECTIVES AND EXPECTED RESULTS

3.1 The objective of the program is to promote exports and investment in the global IT-enabled services sector in TT, through sector-specific training and support services, investment promotion and branding, and regulatory updating. To achieve this objective, the program will include the following components:

3.2 **Component I. Global Services Export Hub.** This component will finance the establishment of a global services export hub, which will provide the facilities to offer the following: (a) export readiness training and support services to companies and entrepreneurs in the ITeS sector; (b) targeted short-term technical trainings for students in the ITeS sector, designed in partnership with onsite companies to meet their skilled labor requirements; (c) technological infrastructure enabling plug-and-play operation for new investors; and (d) workspaces for students and local service providers designed to foster networking, collaboration and research and development.[21]

3.3 **Component II. Investment Promotion and Sector Branding.** This component will support the implementation of innovative methods of promotion of ITeS, including: (a) a sector branding campaign; (b) the organization of global services promotion forums in TT and abroad to attract FDI in the sector, and expand the capacity of local companies to supply the local market (c) participation in regional export promotion initiatives, such as IDB's program ConnectAmericas; and (d) innovative methods to engage the TT diaspora, such as mentorship and exchanges.

3.4 **Component III. Policy and Regulatory Framework Update.** This component will support efforts to update TT's policy and regulatory framework for the ITeS sector, including: (a) consultancy services to identify gaps and bottlenecks in the existing regulations, in key areas such as intellectual property, electronic payments and financial regulations; (b) know-how exchanges with countries that have implemented effective promotion policies and regulations; (c) consultancy services to review the policy framework and to map the roles of all the players in the sector and to identify specific policy interventions to support the growth of the sector in

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[19] Harding and Javorcik (2011), University of Oxford, *Roll Out the Red Carpet and They Will Come: Investment Promotion and FDI Flows:* found that one dollar devoted to investment promotion in a developing country increases foreign direct investment (FDI) by $189 dollars.

[20] Dociquer and Marfouk (2006), as cited in: ACP Observatory on Migration (2010), Overview on South-South Migration and Development Trends and Research Needs in Trinidad and Tobago

[21] A feasibility study will be run in preparation for this Program in order to determine whether it is necessary to purchase or rent an existing building. It is not foreseen that construction works will be necessary.

the medium and long term; and (d) capacity building for the relevant agencies in charge of implementing ITeS policies.

3.5 **Execution Mechanism.** The execution mechanism of this operation intends to separate the administrative processes necessary for execution, from the technical-decision making necessary to improve the program's impact. (a) Executing Agency: The MPSD will be the Program's executing agency, with broad oversight responsibility for all matters related to the program, and direct responsibility for the administration of resources and the procurement processes; (b) Stakeholder Coordinating Institutions: The Trinidad and Tobago Coalition of Services Industries will act as the stakeholder coordinating institution for Component I, while InvestTT, will do so for Component II. The MPSD will sign Memoranda of Understanding with these Coordinating Institutions which will define the roles to be carried out in more detail; (c) Advisory Board: an Advisory Board comprising a mix of public and private entities will also be established, for the purpose of advising the MPSD on the program's strategy and execution. The Committee will be chaired by MPSD, and will include representatives from the Ministry of Trade, Industry and Investment (MTI); InvestTT; the TT International Financial Centre; the E-Business Roundtable; the Caribbean Industrial Research Institute; the ICT Society; ExportTT; TTCSI; the TT Tourism Development Company; Animae Caribe, and the TT Animation Board. [22]

3.6 **Expected results.** The program is expected to increase the supply and quality of high-value added human capital in the ITeS industry, thereby improving its competitiveness. The ultimate expected results are therefore increases in investment, exports, and employment in the sector, in a self-sustaining manner with no need for additional public transfers thereafter. The project will also develop baselines and monitoring mechanisms on other variables such as aggregated exports and income generated by the sector.

3.7 **Consistency with country strategy and GCI-9.** The expected results are consistent with the IDB's country strategy in TT (2011-2015), which states that "Trinidad and Tobago is faced with a significant development challenge in transitioning its economy into a post-hydrocarbon model, while continuing to improve its standard of living. This transition will require that a number of reforms be undertaken so as to foster an environment in which non-traditional economic activities can flourish independently and the development of human capital can adapt to meet new requirements." The program is likewise aligned with the mandate of GCI-9 (AB-2764), specifically within Sector Priority "Competitive regional and global international integration," which establishes (3.13) that the Bank should "include new issues associated with trade in services."

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[22] These entities were selected based on their institutional mandates to promote SME internationalization. TTCSI is the body in charge of representing the industry's private sector players, whereas InvestTT is the country's investment promotion agency, ideally suited to carry out components I and II respectively. The members of the advisory board are all involved in the promotion of the industry, either at the policy level or from the private sector. The specific tasks entrusted to each of these entities will be further detailed in the POD and the program's Operations Manual.

3.8 **Coordination with other Government programs.** There are three publicly sponsored programs in place in the country with similarities to the project described here. They are the Entrepreneurial Training Institute & Incubation Centre (ETIIC) sponsored by the National Entrepreneurial Development Company (NEDCO); the Idea to Innovation Program launched by the Council for Competitiveness and Innovation, which is an agency under the MPSD; and the Caribbean Research Institute's Centre for Enterprise Development. However, their focus is mostly horizontal and business-incubation oriented, attempting to develop ideas into business marketable products, be it in the local or international markets. This program is different in focus and scope, because it seeks to benefit companies and people working only in the ITeS industry, and because it is oriented towards international markets, through exports and foreign investment promotion. Nonetheless, this Program is expected to collaborate with, and draw lessons from, the abovementioned programs.

IV. TECHNICAL ISSUES AND SECTOR KNOWLEDGE

4.1 The project builds on the knowledge developed from a previous operation led by the TIU in TT (1454/OC-TT), recently completed, which supported the institutional strengthening of the MTI. And provided valuable lessons on the importance of separating administrative execution with technical decision-making. In addition, TIU is executing operations UR-L1060 (Program to Support Global Export Services), CO-L1094 (Program to Promote Outsourced Services), RG-T2055 (Expanding Global Services Exports in the Caribbean), and RG-T1805 (Support in taking advantage of trade opportunities in the Service Sector)

4.2 The following studies and activities have been completed: (a) study on opportunities and challenges for TT insertion in the global market for ITeS;[23] (b) internationalization workshop for local ITeS providers; (c) study on the promotion of diaspora direct investment;[24] and (d) study on best practices for the implementation of technical training for the global services sector.[25] The following will be undertaken: regulatory gap analysis; feasibility study for the Export Hub; and a cost-benefit analysis.

V. RESOURCES AND TIMETABLE

5.1 Distribution of the Proposal for Operation Development (POD) for Quality and Risk Review (QRR) is expected on October 7, 2013, followed by presentation to the Operations Policy Committee (OPC) on October 24, and to the Board of Directors on December 18. An estimated US$67,854 budget will be required for preparation of the operation.

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[23] IDB-Tholons (2012).
[24] Avasant (2011), DDI: A Global Model for Sustainable Economic Development.
[25] IDB-Tholons (2011), Finishing Schools as a Catalyst for Human Capital Development in Latin America's IT Services Sector.

SAFEGUARD POLICY FILTER REPORT

This Report provides guidance for project teams on safeguard policy triggers and should be attached as an annex to the PP (or equivalent) together with the Safeguard Screening Form, and sent to ESR.

1. Save as a Word document. 2. Enter additional information in the spaces provided, where applicable. 3. Save new changes.

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<td>Team Leader</td>
<td colspan="2">Beitler, Ady (ADYB@iadb.org)</td>
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<td>Project Title</td>
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<td>Project Number</td>
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<td colspan="2">Beitler, Ady (ADYB@iadb.org)</td>
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<td>(B.01) Access to Information Policy– OP-102</td>
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<td>Does this project offer opportunities to promote gender equality or women's empowerment through its project components?</td>
<td>(B.01) Gender Equality Policy– OP-761</td>
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<td>The operation is in compliance with environmental, specific women's rights, gender, and indigenous laws and regulations of the country where the operation is</td>
<td>(B.02)</td>
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		being implemented (including national obligations established under ratified Multilateral Environmental Agreements).	
		The operation (including associated facilities) is screened and classified according to their potential environmental impacts.	(B.03)
		There are Associated Facilities (see Policy definition) relating to the investments being financed by the Bank.	(B.04)
		The Bank will monitor the executing agency/borrower's compliance with all safeguard requirements stipulated in the loan agreement and project operating or credit regulations.	(B.07)
		Suitable safeguard provisions for procurement of goods and services in Bank financed projects may be incorporated into project-specific loan agreements, operating regulations and bidding documents, as appropriate, to ensure environmentally responsible procurement.	(B.17)
	Potential Safeguard Policy Items(?)	No potential issues identified	
	Recommended Action:	Operation has triggered 1 or more Policy Directives; please refer to appropriate Directive(s). Complete Project Classification Tool. Submit Safeguard Policy Filter Report, PP (or equivalent) and Safeguard Screening Form to ESR.	

	Additional Comments:	

	Name of person who completed screening:	Beitler, Ady (ADYB@iadb.org)
ASSESSOR DETAILS	**Title:**	
	Date:	2013-08-21

SAFEGUARD SCREENING FORM

This Report provides a summary of the project classification process and is consistent with Safeguard Screening Form requirements. The printed Report should be attached as an annex to the PP (or equivalent) and sent to ESR.

1. Save as a Word document. 2. Enter additional information in the spaces provided, where applicable. 3. Save new changes.

PROJECT DETAILS	IDB Sector	TRADE-TRADE ADJUSTMENT ASSISTANCE
	Type of Operation	Investment Loan
	Additional Operation Details	
	Country	TRINIDAD AND TOBAGO
	Project Status	
	Investment Checklist	Generic Checklist
	Team Leader	Beitler, Ady (ADYB@iadb.org)
	Project Title	Global Services Offshoring Promotion Program
	Project Number	TT-L1038
	Safeguard Screening Assessor(s)	Beitler, Ady (ADYB@iadb.org)
	Assessment Date	2013-08-21
	Additional Comments	

PROJECT CLASSIFICATION SUMMARY	Project Category: C	Override Rating:	Override Justification:
			Comments:
	Conditions/ Recommendations		• No environmental assessment studies or consultations are required for Category "C" operations. • Some Category "C" operations may require specific safeguard or monitoring requirements (Policy Directive B.3).Where relevant, these operations will establish safeguard, or monitoring requirements to address environmental and other risks (social, disaster, cultural, health and safety etc.).

		• The Project Team must send the PP (or equivalent) containing the Environmental and Social Strategy (the requirements for an ESS are described in the Environment Policy Guideline: Directive B.3) as well as the Safeguard Policy Filter and Safeguard Screening Form Reports.

SUMMARY OF IMPACTS/RISKS AND POTENTIAL SOLUTIONS	**Identified Impacts/Risks**	**Potential Solutions**

ASSESSOR DETAILS	**Name of person who completed screening:**	Beitler, Ady (ADYB@iadb.org)
	Title:	
	Date:	2013-08-21

SOCIAL AND ENVIRONMENTAL SAFEGUARDS STRATEGY

1. The project will mostly fund training, institutional strengthening and regulatory update activities, which are not expected to present negative social or environmental impacts.

2. Notwithstanding the above, the project does foresee the concentration of the training and institutional strengthening activities (Component 1) in a Global Services Export Hub, a physical facility with technological infrastructure and workspaces for students and local service providers. There will be no construction activities involved in this component, other than minor works inside the building to condition it properly to fit the desired purposes.

3. The project will comply with the environmental safeguards contained in document GN-2208-18. The operations manual will include criteria to ensure that the acquisition of goods and services is done in an environmentally and socially sustainable manner, particularly in connection with the use of resources and facilities, and the relationship with local communities.

4. Moreover, the acquisitions to be carried out in the implementation the project will promote the principles of economy, efficiency and environmental responsibility.

SECTOR WORK FINISHED AND PROPOSED

Studies	Description	Expected Date	References
Trinidad and Tobago. Exploring Opportunities in the Global IT Services Market.	Opportunities and challenges for TT insertion in the global market for ITeS	Finished. May 2012	http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38012539
TT Services Internationalization Workshop	Presentation and results of capacity building workshop for local ITeS companies.	Finished. December 2012.	http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38012542
Diaspora Initiative	Best practices report to promote diaspora direct investment in Trinidad and Tobago.	Finished. December 2012	http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38012535
Finishing Schools as a Catalyst for Human Capital Development in Latin America's IT Services Sector	Study on best practices for the implementation of technical training for the global services sector.	Finished. November 2011.	http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38012538
Regulatory gap analysis	Report on the regulatory gaps perceived by the local private sector, for the design of the Component III.	Expected October 1, 2013.	
Global Services Export Hub Feasibility Study	Analysis of potential use and demand of the Exports Hub that will supported with the Program's Component I	Expected, October 1, 2013.	
Cost-Benefit Analysis	Program's Cost-Benefit Analysis	Expected, October 1, 2013.	