

TC ABSTRACT

I. Basic Project Data

▪ Country/Region:	Regional
▪ TC Name:	Empowering SME Internationalization through increased access to broadband
▪ TC Number:	RG-T2448
▪ Team Leader/Members:	Ady Beitler (INT/TIU), team leader; Fabrizio Opertti (INT/TIU); Yasmin Esteves (INT/TIU), Francisco Estrazulas (INT/TIU); D. Lorena Cano (IFD/ICS).
▪ Indicate if: Operational Support, Client Support, or Research & Dissemination.	Research and Dissemination
▪ If Operational Support TC, give number and name of Operation Supported by the TC:	N/A
▪ Reference to Request: (IDB docs #)	N/A
▪ Date of TC Abstract:	March 12, 2014
▪ Beneficiary:	Regional
▪ Donors Providing Funds	Multidonor Fund for Broadband Services
▪ Executing Agency and contact name:	The Inter-American Development Bank (IDB), through the Trade and Investment Unit (INT/TIU).
▪ IDB Funding Requested:	USD 300,000
▪ Local counterpart funding, if any:	N/A
▪ Disbursement period:	18 months
▪ Required start date:	April 1, 2014
▪ Types of consultants (firm or individual consultants):	Firms and individuals
▪ Prepared by Unit:	Trade and Investment Unit (INT/TIU)
▪ Unit of Disbursement Responsibility:	Trade and Investment Unit (INT/TIU)
▪ Included in Country Strategy (y/n);	No
▪ TC included in CPD (y/n):	
▪ GCI-9 Sector Priority:	Competitive Regional and Global Integration

II. Objective and Justification

ConnectAmericas (CA) is a trade and integration facilitation infrastructure sponsored by the IDB (in construction) that will offer SMEs from Latin America and the Caribbean (LAC) an online platform where they will be able to establish business links with clients, suppliers and investors from the rest of the region and the world, access relevant information and training tools to make international trade transactions simpler and less costly, and obtain information about trade finance opportunities. CA will

promote integration from and for the private sector, allowing SMEs to move from the margins to the mainstream of international value chains.

CA is being developed and launched in a very favorable context thanks to the solid growth of intra-regional trade and investment in LAC, and the increased use of technology and Internet tools by SMEs. In fact, LAC is experiencing unprecedented growth in trade and investment. Between 1990 and 2010, intra-regional trade grew tenfold, approximately from USD 18 billion to USD 180 billion. In addition, although the vast majority of companies in the region are SMEs (at least 3.7 million with 5 employees or more)¹ only 13% of all LAC firms export (compared with close to 30% in Europe and Asia). Finally, SMEs in LAC are taking more and more advantage of the possibilities opened by the Internet. A recent study by Google showed that Internet usage in the region grew nearly 891% between 2000 and 2009.² And according to ComScore's 2013 Report, LAC is the region that grew the fastest in internet usage (12%) and has five of the top 10 countries in the world in social media usage (AR, BR, CH, MX, PE).³ This scenario provides powerful reasons to deepen the integration efforts utilizing new information technology tools, and overcome the barriers that SMEs are facing when they attempt to integrate into regional and global markets.

CA will offer users the following features:

Connect: this option will allow users to join professional groups of industry colleagues and potential clients, suppliers and investors. In these groups, users will be allowed to share their companies' information, including description of their services, links to their websites, product catalogs, marketing materials and special offers or requests. CA will also facilitate matchmaking services and offer cost-effective solutions to enable business transactions, such as an internal messaging system.

Learn: users will be directed to a repository of tutorials, databases, webinars and interactive tools that will enhance their knowledge of the exporting process. First, CA will provide testimonials from companies operating in the region, as well as information channels such as blogs, news feeds and social media tools, providing the latest trends in the industries where users have formed groups. Additionally, CA will promote the services offered by government agencies - particularly Trade Promotion Organizations (TPO) and Investment Promotion Agencies (IPA) - to support the internationalization of SMEs. Finally, INTRADE – a database developed by the IDB which contains the largest repository of information and statistics on imports and exports in the region, as well as the most comprehensive data on free trade agreements signed by countries in the region – will have an interactive tool to show the existing tariffs, commercial statistics and barriers to international trade.

Finance: this module will offer users opportunities to learn about funding or technical assistance opportunities to improve their export capacity. This includes, among others: (a) information on the IDB lines of credit, such as the TFFP program - the list of affiliated banks, their products and the application processes for their credit lines; and (b) other financial services and technical assistance provided by the

¹ Moreno, La Década de América Latina (2012)

² http://www.infoweek.biz/la/wp-content/uploads/2010/05/100513_internet_presentacion.pdf

³ ComScore (2013), Futuro Digital Latinoamérica 2013, available at www.comscore.com.

IDB Group to the SMEs, including: (i) direct financial and technical assistance by the Inter-American Investment Corporation and Multilateral Investment Fund; (ii) government programs funded by public sector windows of the Bank.

In sum, CA is a new generation of integration infrastructure that uses the Internet to replicate the physical marketplace whereby producers and buyers meet and exchange goods and services for profit. It is expected to enable SMEs to participate better in regional and global value chains.

This operation is intended to support the use of CA as a channel to promote the use of broadband and information technology among SMEs and TPOs, to increase their capacity to do business internationally and enact policies and programs to support SME internationalization, respectively.

The objectives and activities of the operation correspond to the Bank's Strategy for Global and Regional Integration (GN-2565-4-2, GN-2470-2) as it will facilitate regional commerce and promote the internationalization of SMEs, thereby increasing the demand for trade-related infrastructure (e.g. transportation and customs).

In addition, this operation is consistent with the scope of the Multidonor Fund for Broadband Services (GN-2704(2/13), GN-2704-1(3/13)) as it will *“improve the institutional capacity of key actors involved in designing, overseeing, and implementing public policies and regulations, while promoting efficiency and capacity-building”* as stated in Paragraph 3.2 (c) of the Fund’s Operational Guidelines. In addition, insofar as ConnectAmericas is segmented by industry groups (as of now, Food & Beverage, IT-enabled services and Infrastructure) and the capacity building activities are intended to be produced online, the proposed operation is consistent with one of the Fund’s areas of action, namely *“providing short- and medium-term technical advisory services to support the adoption and usage of technological solutions, as well as sector-specific training on the use of broadband in the various sectors prioritized in each country’s digital strategy”*.

III. Description of Activities and Outputs

Component I. Production of learning materials to promote the use of information technology in international business. This component will support the production of learning materials that will help SMEs and TPOs understand the big commercial opportunities opened by an increased access to broadband and information technology. These resources include online courses – in the form of Massive Online Open Courses – audiovisuals materials, written articles and blog posts produced by the ConnectAmericas editorial team, and most importantly, in coordination with the Trade Promotion Organizations and Business Chambers in the 26 member countries in the region, whom are fundamental partners of ConnectAmericas who disseminate their services in the platform and share know on best practices in their areas.

The materials will be designed and developed to address the uses that existing technologies and software programs can have to fulfill business needs (e.g. how to use online customs single windows; how to use social media tools to advertise your business).

Component II. Design and development of tools to monitor the usage of ConnectAmericas and draw policy lessons for TPOs. This component will support the design and development of tools to monitor how SMEs use the ConnectAmericas site, and draw policy lessons for Trade Promotion Organization in connection with the use of broadband and information technology to promote SME internationalization.

This process is intended to be done experimentally, by trying different techniques to encourage the use of the tools offered by the site, and survey the companies who used them to understand the reasons behind their behavior. For example, ConnectAmericas offers companies the possibility to review the transactions done between them, and post their reviews publicly for all users to see. In order to measure the effectiveness of this tool as a way of encouraging trust and risk-taking between users, the ConnectAmericas team will survey the users who completed transactions thanks to the platform, and evaluate whether the reputational information coming from user reviews was relevant to their decision-making process. From this diagnostic, policy lessons can be drawn about the importance of reputation in international business, and the role that technology can play to support it.

Component III. Outreach and dissemination. This component will support the dissemination of the learning materials produced under Component I and the policy lessons drawn from Component II among trade promotion organizations, business associations and companies across the region. This is expected to promote knowledge exchange and capacity building for these organizations, all across the region.

IV. Budget

Component I. Production of learning materials to promote the use of information technology in international business (USD 75,000). Activities to be financed under this component include consulting services to design the learning materials, including the editorial line and format; and consulting services to produce the tools that will host the materials – e.g. online courses, videos, blog posts, etc.

Component II. Design and development of tools to monitor the usage of ConnectAmericas and draw policy lessons for TPOs. (USD 125,000). Activities to be financed under this component include consulting services to: design and implement software tools to monitor the activity of users in the site; implement internet listening tools to match the behavior of users in the site with general industry tendencies; produce a policy report to orient the action of TPOs to promote the use of broadband and information technology to support SME internationalization.

Component III. Outreach and Dissemination (50,000). Activities to be financed under this component include consulting services to: design and implement a targeted dissemination campaign to promote the learning tools among SMEs in the region, and a campaign to disseminate among TPOs the policy lessons derived from Component II. This campaign will be focused on social media tools and other forms of digital advertising.

Administration (45,000)

Monitoring and Evaluation (5,000)

V. Executing agency and execution structure

This operation will be executed by the Trade and Investment Unit of the Integration and Trade Sector of the Inter-American Development Bank, in accordance with the Bank's Technical Cooperation Policy (Document GN-2470-2). There are two main reasons that justify the execution of the project by the Bank. First, as a regional project that involves coordination with several public and private sector stakeholders in LAC, the Bank is in a unique position to manage and coordinate the activities given its presence in all countries. Second, the Bank, through the Integration and Trade Sector in particular, has gained invaluable know-how in the execution of international trade and investment promotion activities.

The contracting of project consultants will be carried out by the Bank in accordance with document GN-2350-9 (Policies for the Selection and Procurement of Consulting Services Financed by the IDB), while the procurement of goods and related services will be carried out by the Bank in accordance with document GN-2349-9 (Policies for the Procurement of Goods and Works Financed by the IDB).

INT/TIU will have the principal responsibility for the technical aspects of the project as well as the responsibility for disbursements and basic administration.

VI. Project risks and issues

The success of the project will depend on a significant level of engagement and participation of users and relevant stakeholders, including the trade promotion agencies of the countries where the integration infrastructure platform will be launched. The operation will mitigate the risk by engaging these users and stakeholders in the activities from the start of the TC and through an intensive promotion strategy during the preparation of the Components.

VII. Environmental and Social Classification

This operation does not present environmental and social risks as it is an international trade infrastructure that is based on the Internet. It was classified as Category C in the Environmental and Screening Classification.