TC Document

I.   Basic Information for TC

▪ Country/Region:	REGIONAL
▪ TC Name:	Adoption and Support of Digital Public Infrastructure
▪ TC Number:	RG-T4549
▪ Team Leader/Members:	Muente Kunigami, Arturo (IFD/ICS) Team Leader; Vieira De Andrade Dias, Julia (KIC/ICD) Alternate Team Leader; Barahona Cortes Patricia (ORP/GCM); Wilks, Jason Malcolm (IFD/ICS); Bonilla Merino Arturo Francisco (LEG/SGO); Martinez, Ynty Koyllor (IFD/ICS); Roseth, Benjamin David (IFD/ICS); Daino Solano, Natalia Luciana (KIC/ICD); Deregibus, Bernardo (ORP/REM); Veyrat-Pontet, Alexandre (IFD/ICS); Rodriguez, Fabricio (IFD/ICS); Angel Canarete Hugo Alberto (ITE/IPS) Canarete Hugo Alberto (ITE/IPS)
▪ Taxonomy:	Research and Dissemination
▪ Operation Supported by the TC:	.
▪ Date of TC Abstract authorization:	.
▪ Beneficiary:	Caribbean countries and countries that submit a proposal
▪ Executing Agency and contact name:	Inter-American Development Bank (IDB)
▪ Donors providing funding:	Project Specific Contribution Account(PSC)
▪ IDB Funding Requested[1]:	US$475,000.00
▪ Local counterpart funding, if any:	US$0
▪ Disbursement period (which includes Execution period):	36 months
▪ Required start date:	June 1st, 2024
▪ Types of consultants:	Individual consultants and firms
▪ Prepared by Unit:	IFD/ICS-Innovation in Citizen Services Division
▪ Unit of Disbursement Responsibility:	IFD/ICS-Innovation in Citizen Services Division
▪ TC included in Country Strategy (y/n):	No
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2024-2030:	Institutional capacity and rule of law; Productivity and innovation

II.   Objectives and Justification of the TC

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[1] These funds will be administered by the IDB through a Project-Specific Grant (PSG). Global Impact will contribute US$ 500,000.00. Out of this contribution, US$ 25,000.00 will be set aside as a 5% administration fee. The remaining contribution of US$ 475,000.00 corresponds to the project amount as indicated in the Basic Information table.

2.1 Despite the economic growth opportunities that the digital economy creates, governments in the region have been slow in taking their services to the digital realm. Many countries do not have the digital enablers required to boost the digital economy. For example, 11 out of the 26 IDB borrowing member countries have a digital identification framework (not all are being used for transactional purposes), which has been identified as a necessary condition to unleash between 3-13 percent of GDP [2]. Moreover, 12 countries have an interoperability platform. Despite the constraints that the COVID-19 pandemic placed on in-person transactions, the proportion of citizens who carried out their last transaction with government fully online grew from 12% to 14% [3].

2.2 **Digital Public Infrastructure (DPIs) can help accelerate the adoption of these enablers**. Just like many transactions and activities in the physical world are carried out over public infrastructure (roads and energy grids, for example), the digital realm requires DPIs to boost the digital economy. Digital identification, payment platforms, data exchanges, among others, are key in the creation of economic value in the digital economy[4].

2.3 **Around the world, the funding and adoption of Digital Public Infrastructures (DPIs) has seen a significant increase[5]**, fueled by the growing recognition of their potential to streamline government operations and enhance service delivery. However, the LAC region has not fully capitalized on these opportunities and are lagging in attracting such investments. Several factors contribute to this lag, including a lack of technical expertise, and inadequate local policy frameworks that fail to promote or facilitate the integration of advanced digital solutions. This gap not only hinders the modernization of public services in the LAC region but also affects its global competitiveness and ability to improve governance and transparency through technology.

2.4 **India's implementation of Digital Public Infrastructures (DPIs) also known as the India stack, represents a great example.** DPIs such as Aadhaar, its national digital identification system, and the Unified Payments Interface (UPI) has significantly enhanced financial inclusion and service efficiency. Aadhaar, which includes e-KYC features, has expanded banking penetration dramatically, from under 20% to over 80%, providing identity verification for more than 1.39 billion people and facilitating over 110 billion authentications. UPI, a digital payment platform, has positioned India as a global frontrunner in the fintech sector, processing transactions worth more than US$2 trillion annually[6]. These systems illustrate the transformative potential of DPIs in promoting accessibility and efficiency across various sectors. Similar regional initiatives like Brazil's digital ID and conecta.gov.br could potentially evolve into DPIs, further demonstrating the global applicability of such infrastructures[7].

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[2]   Digital Identification: A Key to Inclusive Growth, McKinsey Global Institute, 2019.

[3]   Roseth, Benjamin, Angela María Reyes, and Karla Yee Amézaga, "Public Services and Digital Government During the Pandemic", IDB, 2022.

[4]   *How digital public infrastructure supports empowerment, inclusion, and resilience*,The World Bank.

[5]   *Decoding the G20 Consensus on Digital Public Infrastructure: A Key Outcome of India's Presidency*, Carnegie, India.

[6]   *How India Leapfrogged Financial Inclusion*, The Mossavar-Rahmani Center for Business and Government at Harvard University.

[7]   *Brazil's Role in Shaping the Digital Transformation*, The Wilson Center, Congress of the United States.

2.5 **Implementation of DPIs in Latin America and the Caribbean can improve the efficient provision of publics services and provide access to the digital economy.** As digital transformation of governments (and society at large) becomes a staple of most national development strategies, governments will need to deploy key shared technology services. However, implementation of DPIs (and digital public good in general) in this space is still in a relatively nascent stage in the region. This TC proposed by the Bank will provide an opportunity to promote a small number of DPI adoption use cases among countries that have challenges in terms of scale that would make more traditional models be more expensive. This approach will also allow for the identification of any challenge that may undermine a broader adoption of DPIs in the region and will help envisage potential solutions.

2.6 **CoDevelop, a fiscally sponsored project of Global Impact, is a global non-profit fund focused on investing in DPI to promote an inclusive, safe, and equitable digital future.** Its mission is to aid countries in making well-informed choices about their digital infrastructure, ensuring that these choices are aligned with the public interest and sustainable over time. CoDevelop's global experience in deploying similar digital initiatives provides invaluable insights that can preempt challenges and streamline the implementation process, enhancing the overall success rate in the region. Their robust technical expertise ensures that the digital public infrastructure (DPI) adopted are not only advanced and reliable but also scalable to meet future needs. Close collaboration with Co-Develop complements IDB's digital government approach and existing portfolio and initiatives to promote the adoption of DPI in the region. CoDevelop's global experience in deploying similar digital initiatives provides invaluable insights that can preempt challenges and streamline the implementation process, enhancing the overall success rate in the region. Their robust technical expertise ensures that the digital public infrastructure (DPI) developed is not only advanced and reliable but also scalable to meet future needs.

2.7 **Objective,** this technical cooperation's objective is to promote and support the deployment of DPI in LAC. This project is a crucial step for closing the existing technology and investment gap in the region. Supported countries will receive technical and financial support for the rapid adoption of DPIs, which in turn will help the region develop successful DPI implementations that can serve as replicable models for other nations within LAC. This initiative aims to create a framework of best practices that can be adapted and utilized across the region to enhance digital transformation and economic integration.

2.8 **Beneficiaries.** This technical cooperation (TC) is accessible to all borrowing member countries of the IDB; however, the initial focus will be on Caribbean nations. These countries will be selected through a transparent, open call process, which invites them to submit proposals for specific Digital Public Infrastructure (DPI) adoption projects. Criteria for proposal selection may include, among others: (i) specific service or platform to be implemented under a DPI approach; (ii) existing environment or actions being implemented towards the successful deployment of the solution; and (iii) sustainability and scalability. The focus on Caribbean countries is because: (i) most available DPIs are in English, and (ii) the value proposition of DPIs is more compelling in small countries. It is expected, however, that future expansions of this TC may include non-Caribbean countries.

2.9 **Strategic Alignment.** The Technical Cooperation is consistent with the IDB Group Institutional Strategy: Transforming for Scale and Impact (CA-631) and is aligned with the objectives of: (i) reduce poverty and inequality; and (ii) bolster sustainable regional growth by promoting the adoption of digital public infrastructure at the national and regional level, creating knowledge exchange opportunities across the region. The Program is also aligned with the operational focus areas of: (i) institutional capacity, rule of law, and citizen security by boosting digital transformation of the public sector; and (ii) social protection and human capital development by increasing the quality of government human capital development and mobilizing resources and partnerships. It also aligns with IDB Group One Caribbean Strategy's goals of strengthening digital infrastructure and promoting private-sector engagement through technological advances.

III.   Description of activities/components and budget

3.1 **Component 1. DPIs adoption and packaging (US$370,000).** This component is dedicated to aiding member countries in the rapid deployment and expansion of Digital Public Infrastructures (DPIs), such as digital credentials, digital IDs, data exchange platforms and notification systems. The focus will be on three primary activities: (i) accelerating the rollout of new DPIs, (ii) supporting the continuation of ongoing DPI projects, and (iii) packaging and preparing government developed DPIs for broader deployment. An open call will select the initial countries to receive support, ensuring a transparent and equitable selection process. The main activities consist of (i) implementation of a transparent and competitive open call process to identify the countries that will receive the first DPI supports based on their proposals and readiness; and (ii) technical implementation of a first proof of concept, including training and technical support for the initial set up of the system and roll out of the DPI according to the selected proposals. Expected results include (i) at least two full operational proof of concepts for DPIs in the Caribbean; and (ii) training provided to local officials and implementation partners across the Caribbean.

3.2 **Component 2. Awareness and knowledge production (US$105,000)[8].** This component aims to enhance the understanding and visibility of the benefits associated with Digital Public Infrastructures (DPIs) among member countries. The main activities consist of (i) design detailed implementation roadmaps tailored to each country's specific needs; (ii) advise governments on governance frameworks for DPI implementation, scalability, and long-term sustainability; (iii) evaluation of at least two proof of concepts for DPIs implemented in Component 1; (iv) development of knowledge and analytical work to showcase the positive impacts of DPI adoption based on the deployments carried out in Component 1; (v) making key materials accessible in multiple languages to ensure that all member countries can benefit from shared knowledge and experiences; and (vi) organization of events and panel discussions to promote the DPI agenda in the region. These interactions will foster community engagement and collaborative learning. Expected results include: (i) analytical work aimed at dissemination and implementation of DPIs, and (ii) events and panels aimed at fostering knowledge exchange between countries in the region and other global success cases that bolster community ties and encourages collaborative approaches to tackle DPI challenges. The initial phase will focus on

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[8]   The PSG will initially cover activities related to governance arrangements and evaluation of the pilots. Other activities listed would be funded in future expansions of the TC.

activities (i), (ii), and (iii) whereas futures expansions will be aimed at the complete implementation of Component 2.

3.3 **Indicative Budget.** Global Impact expects to commit US$475,000.00 to this project. Resources of this project to be received from Global Impact through a Project Specific Grant (PSG). A PSG is administered by the Bank according to the "Report on COFABS, Ad-Hocs and CLFGS and a Proposal to Unify Them as Project Specific Grants (PSGs)" (Document SC-114). As contemplated in these procedures, the commitment by Global Impact will be established through a separate Administration Agreement. Under such agreement, the resources for this project will be administered by the Bank.

Indicative Budget

Activity/Component	Description	Total Funding (IDB) (US$)
Component 1	DPIs adoption and packaging	370,000
Component 2	Awareness and knowledge production	105,000
	Total	**475,000**

IV. Executing agency and execution structure

4.1 According to the criteria set forth in Annex 2 of OP-619-4, the execution by the Bank is justified to ensure the achievement of the CT's objectives. Given the novelty of the issue, it is not possible to identify a regional entity with the legal capacity to execute these funds in all participating countries and with technical knowledge of the subject. The Bank has already provided technical assistance on related issues, positioning it as a key player in the dissemination of best practices in the region in this field. The counterparts will be Ministers of Digital Transformation and ICT of borrowing country members of the IDB, selected through an open call managed by the IDB and CoDevelop.

4.2 The TC will be executed by IFD/ICS with support from KIC/ICD. The activities to be carried out under this operation have been included in the Procurement Plan (Annex IV).

4.3 If at the end of project execution, the project was closed with a positive uncommitted and unspent balance, the project team will be responsible for informing ORP/GCM to transfer the unspent balance as agreed to by the donor and the Bank pursuant to the terms of the PSG Administration Agreement.

4.4 The activities of this PSG will be carried out in accordance with the policies and procedures applicable to Bank-Executed Operations (BEO), specifically: (i) section AM-650 of the Administrative Manual "Complementary Workforce" for individual consultants; and the (ii) Institutional Acquisitions Policy (GN-2303-33) and its associated guidelines for contracting of consulting firms and logistical services, as well as non-consulting services.

4.5 All programming-related activities and products will be developed by specialized and high-quality providers/vendors, which will be selected and hired by the executing agency (IDB), under the coordination of this TC's leadership team and following all relevant procurement policies from the Bank (for further information, see Procurement Plan - Annex IV).

4.6   The project team will be responsible for preparing and submitting the project reporting to the donor at the end of each activity, as well as for all other actions and deliverables pertaining to project execution and agreed with the donor in the Administration Agreement.

4.7   All knowledge products derived from this Technical Cooperation will be the Bank's intellectual property.

V.   Major issues

5.1   The major risks identified for this project include: (i) the potential lack of sustained implementation; and (ii) user adoption. There is a concern that member countries might not maintain the political will or institutional capability required for long-term operation of these infrastructures. Additionally, there is a risk that citizens may not use these digital platforms extensively, possibly due to low digital literacy, lack of trust, or inadequate access to necessary technology. To address these issues, the project incorporates several mitigative strategies: (i) it will offer extensive training and continuous support to ensure local governments can effectively manage DPIs and boost public awareness and engagement; (ii) it will also leverage networks like Red GEALC for ongoing support and knowledge sharing, ensuring DPIs remain relevant and utilized; (iii) adaptive technical assistance will be provided to accommodate evolving needs and challenges, thereby enhancing both the project's impact and its sustainability.

VI.   Exceptions to Bank policy

6.1   No exceptions to Bank policy are envisioned.

VII.   Environmental and Social Aspects

7.1   This TC will not finance feasibility or pre-feasibility studies of investment projects with associated environmental and social studies; therefore, it is excluded from the scope of the Bank's Environmental and Social Policy Framework (ESPF).

Required Annexes:

Results Matrix_88410.pdf

Terms of Reference_54530.pdf

Procurement Plan_30683.pdf