

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

TRINIDAD AND TOBAGO

GLOBAL SERVICES PROMOTION PROGRAM

(TT-L1038)

LOAN PROPOSAL

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ELECTRONIC LINKS	
REQUIRED	
1.	POA, PEP http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38173678
2.	Monitoring and Evaluation Plan http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38177861
3.	Complete Procurement Plan http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38171452
OPTIONAL	
1.	Economic Analysis http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38170067
2.	Draft Operations Manual http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38174783
3.	Complete Budget http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38173675
4.	Feasibility Study for Global Services Internationalization Hub http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38174796
5.	Location Evaluation for Global Services Internationalization Hub http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38173648
6.	Regulatory Assessment for ICT Society http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38173650
7.	Trinidad and Tobago ITeS Sector Roadmap http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38173658
8.	Government of Trinidad and Tobago Medium Term Policy Framework Document http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38173461
9.	Diasporas Direct Investment Strategy Document http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38173657
10.	Finishing Schools as a Catalyst for Human Capital Development in Latin America's IT Services Sector. http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38173654
11.	Safeguard Policy Filter and Safeguard Screening Form http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=38240101

ABBREVIATIONS

AOP	Annual Operating Plans
CII	Confederation of Indian Industry
ETIIC	Entrepreneurial Training Institute & Incubation Centre
FDI	Foreign Direct Investment
GORTT	Government of Trinidad and Tobago
GSI Hub	Global Services Internationalization Hub
ICT	Information Communication Technology
IDB	Inter-American Development Bank
ITeS	Information Technology-Enabled Services
ITLG	Irish Technology Leadership Group
LAC	Latin America and the Caribbean
MOU	Memoranda of Understanding
MOIA	Ministry of Overseas Indian Affairs
MPSD	Ministry of Planning and Sustainable Development
MTPF	Medium Term Policy Framework
NEDCO	National Entrepreneurial Development Company
NRI	Network Readiness Index
OECD	Organization for Economic Co-operation and Development
PEU	Program Execution Unit
POA	Annual Operation Plan
SME	Small and Medium Enterprises
TTCSI	Trinidad and Tobago Coalition of Services Industries
TT	Trinidad And Tobago
US	United States
WEF	World Economic Forum

**PROJECT SUMMARY
TRINIDAD AND TOBAGO
GLOBAL SERVICES PROMOTION PROGRAM
(TT-L1038)**

Financial Terms and Conditions (*)			
Borrower: Republic of Trinidad and Tobago		Flexible Financing Facility*	
		Amortization Period:	25 years
Executing Agency: Ministry of Planning and Sustainable Development (MSPD)		Original WAL	15.25 years
		Disbursement Period:	5 years
Source	Amount	Grace period	5.5 years
IDB (OC)	18,000,000	Supervision and Inspection Fee:	**
Local	0	Credit Fee:	**
Total	18,000,000	Currency of Approval:	US Dollar chargeable to the Ordinary Capital(OC)
Project at a Glance			
Project objective/description: The objective of the program is to support the advancement of Trinidad and Tobago's positioning as a renowned location for global provision of IT-enabled services. The expected impacts are increased exports and employment in the sector. This will be accomplished through sector-specific training and support services; investment promotion and branding; and capacity building to improve the business climate and regulatory framework.			
Special contractual conditions prior to the first disbursement: (i) evidence that the MPSD has selected a Project Manager for the program according to a professional profile satisfactory to the Bank; (ii) evidence that the MPSD has selected the financial and procurement specialists who will act as part of the project Execution Unit, in accordance with terms of reference agreed upon with the Bank; (iii) evidence that MPSD has approved, with the prior non-objection of the Bank, an Operations Manual for the project; and (iv) evidence that MPSD has entered into agreements with the Ministry of Trade, InvestTT and ExportTT, and a private sector entity representing the ITeS sector with capacity to perform the functions specified in ¶3.4 and acceptable to the Bank, establishing the roles and responsibilities of the parties in the execution of the program (¶ 3.10).			
Special execution conditions: (i) should the MPSD decide not to exercise the purchase option referred in ¶ 1.22 before the end of the third year from the date of the loan contract, the loan resources allocated for the exercise of such option shall be utilized to continue to lease the building until the expiration of the disbursement period of the loan, and to the extent that the amount of said resources exceed the amount necessary for the continuation of the lease, such resources shall be utilized to finance eligible activities comprised in Component I; and (ii) revenues obtained from training services offered in the GSI Hub and companies leasing office space in the Hub financed by the program, shall be utilized only for the financing of activities comprised within Component I of the program, unless after five (5) years from the expiration of the disbursement period, the Bank and the Borrower agree to another use for such funds, without departing from the basic objectives of the project (¶3.11)..			
Exceptions to Bank policies: None			
Project qualifies for: SEQ <input type="checkbox"/>] PTI <input type="checkbox"/>] Sector <input type="checkbox"/>] Geographic <input type="checkbox"/>] Headcount <input type="checkbox"/>]			

(*)Under the Flexible Financing Facility (FN-655-1) the Borrower has the option to request modifications to the amortization schedule as well as currency and interest rate conversions, in all cases subject to the final amortization date and original WAL. In considering such requests, the Bank will take into account market conditions and operational and risk management considerations.

(**)The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the applicable provision of the Bank's policy.

I. DESCRIPTION AND RESULTS MONITORING

A. Background, Problem and Justification

- 1.1 **Opportunities in the global information technology sector.** The technology revolution of the 1990s reduced the cost of international telecommunications and increased the overall capacity for processing and transmitting data, thereby facilitating the appearance of a global services value chain. Foreign Direct Investment (FDI) shifted increasingly to service acquisitions and as a consequence of this, the global Information Technology-Enabled Services (ITeS)¹ market has been one of the most dynamic in the 21st century, increasing nearly tenfold since 2004,² and achieving estimated revenues of US\$400 billion in 2012.³
- 1.2 Evidence suggests that at the time of selecting an investment destination for the ITeS industry, foreign investors consider five types of variables: (i) the country's cost structure (wages, infrastructure use, taxes); (ii) the current and potential availability of qualified human capital; (iii) the country's business climate (political stability, regulatory environment); (iv) infrastructure quality; and (v) geographical and cultural affinity.⁴
- 1.3 **Trinidad and Tobago's competitive advantages in the sector.** The abovementioned factors represent an important opportunity for Trinidad and Tobago (TT) to take advantage of this wave and establish itself as a globally competitive location for provision of ITeS. Based on this premise, between 2011 and 2013 the Bank conducted a detailed assessment of the country's potential to develop the sector.⁵ 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, that combined account for 43 % of global spending and 51 % of total market demand.⁶ These variables are relevant for competitiveness, insofar as a similar time zone enables daytime shifts. And since the major clients are English-speaking countries, Trinidad and Tobago holds an advantage with respect to competitors.
- 1.4 Another reason why TT has a good potential to position itself as a vibrant ITeS location is the quality of its human capital. While labor pool scalability is considered a favorable market characteristic, the presence of a high level of skills can mitigate the perceived disadvantage. Consider, for example, the cases of

¹ Also known as “global” or “offshoring” services when delivered internationally.

² IDB (2012) calculation with OECD, NASSCOM, and BCG data.

³ 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).

⁴ Duke University (2009) the Conference Board Offshoring Research Network Survey; A.T. Kearney (2004), Offshoring Location Attractiveness Index: Making Offshore Decisions.

⁵ IDB & Tholons (2012), Trinidad and Tobago: exploring opportunities in the Global IT Services Market; IDB-TTCSI Internationalization Workshop for IT-Enabled Global Service Providers (2013).

⁶ NASSCOM (2011) and Datamonitor (2009), cited in Gereffi & Fernandez-Stark (March 2010:3), The Offshore Services Global Value Chain.

Jamaica (population 2.7 million) which ranks 33rd among the global top 50 locations in the 2011 AT Kearney index, and San Juan, Puerto Rico (population 390,000) which appears in the 2012 Tholons Top 100 cities for outsourcing. Trinidad and Tobago ranks very well regionally for education quality, including on sector-specific measures. Indeed, the World Economic Forum's Network Readiness Index (NRI) –an index that measures specifically the degree to which economies across the world leverage ICT for enhanced competitiveness– ranks TT 40 out of 144 countries for the quality of its educational system, scoring 4.2 out of 7 which is above the global mean of 3.8, and better than regional powerhouses such as Mexico. Further substantiating the high quality of its education, Trinidad and Tobago ranks 35 in Quality of Math & Science Education, and 36 in the Quality of Management Schools, just below the sector leader, India (33).⁷ These indicators reveal a competitive advantage for the country's ITeS industry, indicating an educational platform that can produce a talented, albeit smaller, and graduate pool.

- 1.5 In terms of telecommunications infrastructure, Trinidad and Tobago is also performing very well for regional standards. According to the NRI, the country is in position 53 out of 144 countries in "Infrastructure and digital content," surpassing all other Caribbean countries and almost all Latin American countries. It is also important to note that it ranks above one of the industry's world leaders, the Philippines. This signifies that TT is in an advantageous position to leverage its robust ICT infrastructure to deliver IT services.
- 1.6 The potential of Trinidad and Tobago as a services platform has been further validated in recent years by the establishment of a presence in the country by global IT providers such as IBM, Fujitsu-ICL, and Microsoft.
- 1.7 **Challenges to overcome–human capital limitations.** Notwithstanding the advantages that the country enjoys, TT remains a small player in the global ITeS market. 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, and therefore is being excluded for consideration by international companies in their outsourcing destination selection. In the assessment conducted by the team in preparation for this program –which included extensive interviews with local companies– they expressed the following concerns as reasons for this lag:⁸
- 1.8 **First Challenge: difficulty to scale up operations given the limited availability of qualified human capital.** Currently, there are approximately 1,298 people working in the ITeS industry, and the University of West Indies and the University of Trinidad and Tobago, two of country's largest universities, produce only around 500 IT graduates annually.⁹ Indeed, a survey conducted by the IDB in preparation

⁷ http://www3.weforum.org/docs/WEF_GITR_Report_2013.pdf

⁸ IDB & Tholons (2012).

⁹ Ministry of Trade and Industry, data from 2009, revealed during the elaboration of the Tholons-IDB 2012 Report.

for the program indicated that 75% of the local companies would immediately hire up to 3 new people, but they are not able to find qualified people.¹⁰ 92% of the companies surveyed indicated that they spend significant resources training their entry-level personnel due to the inadequacy of the formal education programs to the sector's needs. And despite the fact that TT's human capital is well positioned in relative terms as per the NRI, because of the size of the country and the migration of qualified people, the availability of trained and trainable professionals for the ITeS industry is relatively small. Therefore, to achieve the sector's employment potential, stakeholders in Trinidad and Tobago should implement targeted human capital development strategies capable of enhancing the employability of its IT graduates and thus increasing the available labor pool for the sector. This is what the program strategy explained in Paragraph 1.10 attempts to accomplish, through the establishment of a Global Services Internationalization Hub capable of providing sector-specific training and support services. In addition, a national sector data Collection and analysis database would help map existing capabilities and better inform sector promotion efforts. To close the identified skills gap, best practices from market leaders India and the Philippines recommend the use of Finishing Schools –a major contributor to their success.¹¹ Finishing schools are industry-specific short-term non-formal training programs that complement the fundamental skills learned in academic institutions, tailored to the needs of the private sector to maximize the employability of their graduates.

- 1.9 Countries which have had the most success in establishing a global services export sector have frequently implemented an approach centered on the strategic creation of an ecosystem bringing together private sector companies, public institutional support, and student populations. In a country like TT where the industry is in a nascent stage, the first step to such an approach is the provision of physical space to enable the desired synergies, for instance centralizing institutional support to increase export capacity, offering tailored private sector-driven training for students and career-changers, and creating opportunities for networking and collaboration among the private sector. In Korea, for example, the Korean Trade and Investment (KOTRA) Promotion Agency –one of the most effective in the world according to the World Bank's Global Investment Promotion Best Practices index– offers investors space in the Invest Korea Plaza, a complex featuring office and conference facilities, comprehensive services ranging from investment consultations to preparation for Korean business culture and daily life, and an onsite KOTRA Academy.¹² In Chile, the country with the most investor-friendly environment in the LAC region as per the 2013 World Economic Forum (WEF) Global Competitiveness Report, the Startup Chile Program provides foreign young

¹⁰ Intelligent Business Advantage (2013), Demand Analysis for the Trinidad & Tobago Global Services Export Hub Feasibility Study TT-L1038. [Optional Link 4](#)

¹¹ VJIL (2011), Finishing Schools as a Catalyst for Human Capital Development in Latin America's IT Services Sector, [Optional Link 10](#)

¹² <http://english.kotra.or.kr/>.

professionals with business space where they receive trainings and coaching, and where they interact with colleagues to foster a collaborative environment.¹³

1.10 Based on this analysis, the program strategy revolves around the establishment of a Global Services Internationalization Hub (GSI Hub), capable of providing sector-specific training and support services adapted to the needs of local companies and foreign investors, and of providing spaces for collaborative work and innovation. In order to determine the size and mode of acquisition of the building that will host this Hub, the project team elaborated a feasibility study that estimated the private sector demand for training, services, and facilities that the Hub could offer.¹⁴ In addition, the team entrusted the Trinidad and Tobago Association of Real Estate Agents with the elaboration of a report that analyzes the different buildings and locations available in areas close to where the potential clients and beneficiaries of the GSI Hub are located, and considers the options to buy or rent a facility that suits the projected needs expressed by the feasibility report.¹⁵ Based on these inputs, the proposed course of action consists of the rental of a building in either East Port of Spain or Chaguanas, with an option to buy the building after the third year of execution of the program. This approach ensures proper testing of the program's sustainability before committing to fix infrastructure costs. In addition to this consideration, the program strategy is intended to make this project self-sustaining during its execution and particularly after such period, given on the continuous involvement of the private sector.

1.11 **Second Challenge: sector brand positioning and Diasporas as promotion channels.** Port of Spain is simply not on short lists of many of the major companies outsourcing IT work around the world. And local companies surveyed in preparation for this program expressed concern that valuable business opportunities are being missed simply because there are no promotion efforts in place specifically tailored to sector needs.¹⁶ Best practices recommend that the marketing strategy include a sector branding campaign and institutional capacity building to support the re-imaging of the sector as a whole.¹⁷ These campaigns seek to establish a tacit quality guarantee that foreigners associate with any service provider in the sector, known or previously unknown to the potential customer. One notable example of a strong national sector brand is Wines of Chile.¹⁸

1.12 In the case of TT, one effective way to channel these efforts could be through its Diasporas, as the emigration rate of the highly skilled Trinidadians and Tobagonians to OECD countries approached 80% in the last decade, the sixth

¹³ www.startupchile.org

¹⁴ See Intelligent Business Advantage (2013), Demand Analysis for The Trinidad and Tobago Global Services Export Hub Feasibility Study TT-L1038. [Optional Link 4](#)

¹⁵ Association of Real Estate Agents (2013), Commercial Property Feasibility Report.

¹⁶ IDB-Tholons Report (2012)

¹⁷ 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 US\$189 dollars.

¹⁸ See <http://www.vinosdechile.cl/>.

highest in the world.¹⁹ These Diasporas could become the best ambassadors to promote the local ITeS sector abroad. Globally, there are over 215 million people living in a country other than the one in which they were born, a number that has doubled in the last 25 years. It represents 3 % of the world's population. More specifically, one person in 33 is an international migrant and every year 3 million people migrate.²⁰ Based on these volumes of migration, countries have started to capitalize on their Diasporas, utilizing them as channels of inbound and outbound business promotion. There are several reasons underlying this phenomenon.²¹ For one, expatriates can act as a bridge between the foreign investor and the country, by reducing cultural barriers and information asymmetries. They can be helpful identifying the market potential of national products and services, by conducting first hand research on the target market.²²

1.13 Diasporas as investors themselves also tend to be less averse to political risk and economic shocks and thus are more long-term oriented than the typical foreign direct investor, given close personal and cultural ties with the destination market. Two notable best practices in this area come from India and Ireland. In India, the Overseas Indian Facilitation Centre is a public-private initiative of the Ministry of Overseas Indian Affairs (MOIA) and the Confederation of Indian Industry (CII) that provides a one stop shop for Indian investors seeking venture capital for projects in India. It includes matchmaking systems, live online assistance, and industry sector groups. Another successful initiative in India is the Pravasi Bharatiya Samman Awards, an expression of honor by the Government of India to members of the Indian Diaspora who have made an outstanding contribution towards fostering better understanding abroad of India and its civilization; for persons who have extended their support to India's causes and concerns; and for those who made her proud by brilliant performance in their field of merit. In Ireland, The Irish Technology Leadership Group (ITLG) is a group of Irish and Irish-American senior executives based mainly in Silicon Valley, active in the global technology industry, which focuses on supporting the growth and development of small and start-up Irish technology companies seeking to leverage both the US marketplace and the US technology investment community.²³

1.14 **Third challenge: need for a modern regulatory framework.** TT has to improve its regulatory environment to become a destination more amenable to investors. In the WEF's NRI 2013, TT ranks 112 on the category "laws relating to ICT" and 81 in intellectual property protection, way below its general average. Consistent with this analysis, the Bank requested the Information and Communication Technology Society of Trinidad and Tobago to furnish a report on the legislative changes

¹⁹ Docquier 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

²⁰ K. Aikins, N. White (2012) Global Diasportas Strategies Toolkit.

²¹ Avasant (2011): DDI: A Global Model for Sustainable Economic Development, [Optional link 9](#)

²² See, for example, James E. Rauch and Vitor Trindade (2012) Ethnic Chinese networks in international trade, The Review of Economics and Statistics, February 2002, 84(1): 116-130

²³ Examples taken from K. Aikins, N. White (2012) Global Diasportas Strategies Toolkit.

needed to improve its members' competitiveness. The report outlines that in 2011 two pieces of important legislation were approved by Parliament – the Electronic Transactions Act (No. 6 of 2011) and the Data Protection Act (No. 13 of 2011) – but they are only partially implemented pending the development of the necessary regulations. The report further notes that the legal and regulatory framework “is being developed without an overarching strategy for the ICT sector” and recommends that future technical assistance “be accompanied by the required amount of training for legal and policy officers in the public service.”²⁴

- 1.15 **Fourth Challenge: Lack of reliable sources of information:** There is no reliable database about the industry's performance, the availability of qualified human capital or the costs of operating in the country. In fact, the Ministry of Planning and Sustainable Development (MPSD) itself recognized in the MTPF 2011-2015 that the available statistics present high levels of aggregation, inconsistencies between sources, gaps in sector coverage, methodological problems and data breaks. A reliable registry would not only help the promotion efforts of the country vis-à-vis potential investors, but would also enable policy design and decision making to be data-driven and evidenced-based.²⁵
- 1.16 **Consistency with National Strategy.** With an economy highly concentrated in the oil and natural gas industries,²⁶ the Government of Trinidad and Tobago (GORTT) has made it a national priority to “achieve economic inclusiveness in an innovation-driven growth economy.”²⁷ In this context, the Government's MTPF recognizes that the challenge for the country is to develop a global niche by excelling in selected products, while forging strategic links with economic partners to take advantage of export opportunities. IT-enabled services such as business process outsourcing, software development and design, and creative service outsourcing are some of the broad areas where the MTPF finds opportunities for the country. The creation of an ICT-based knowledge economy is a priority, the MTPF asserts, “as the systems that can be created by Information Communication Technology (ICT) are fundamental to national development within all sectors of the economy.”²⁸ The government has set its sights on an innovation-driven economy to create a more productive and competitive, diversified economy. Seen in the context of depleting energy resources, the long-term goal is to put the emphasis on the development of human capital through education and training with an investment, diversification, competitiveness and innovation strategy.

²⁴ ICT Society (2013) The National Electronic Legislation Agenda, Report on the Progress of E-Legislation Reform in Trinidad and Tobago, [Optional Link 7](#)

²⁵ 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), [Optional Link 8](#)

²⁶ Accounting for two thirds of the country's exports - WTO (2011) International Trade Statistics (retrieved Jul. 2013).

²⁷ Medium Term Policy Framework, Ibidem.

²⁸ Medium Term Policy Framework, Ibidem.

- 1.17 **Consistency with IDB country strategy and GCI-9.** The expected results are consistent with the general objective of the Country Strategy with the Republic of Trinidad and Tobago (2011-2015), (GN-2638) (hereafter, “CS”). Even though the Program’s Development Effectiveness Matrix does not indicate consistency with a specific goal in the CS’s Results Matrix, the Program is consistent with the CS insofar as it contributes to the diversification of the economy (the CS’s general goal, which speaks about transitioning to a “post-hydrocarbon model” by “foster[ing] 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) with focus to small and vulnerable countries, 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.”
- 1.18 **Complementarity with other programs in place in the country.** There are three publicly sponsored programs in place in the country with similarities to the project described here. (i) the Entrepreneurial Training Institute & Incubation Centre (ETIIC) sponsored by the National Entrepreneurial Development Company (NEDCO); (ii) the Idea to Innovation Program launched by the Council for Competitiveness and Innovation, an agency under the MPSD; and (iii) the Caribbean Research Institute’s Centre for Enterprise Development. However, their focus is mostly horizontal and business-incubation oriented, attempting to develop ideas into marketable business products, be it in the local or international markets. This Program is different in focus and scope. For once, it seeks to benefit companies and people working in the ITeS industry. Therefore, the technical assistance offered will be specifically tailored to the sector’s needs. Also, it will be oriented towards international markets, both in exports and foreign investment promotion. Therefore, this program is expected to complement the work of these other programs, insofar as it constitutes an additional step toward integration in the global value chain, from the local market to international markets.
- 1.19 The project builds on the knowledge developed from a previous operation led by the Bank in TT Trade Sector Support Program, (TT0052)(1454/OC-TT), recently completed, which supported the institutional strengthening of the MTI. In addition, Bank is executing the loan Program to Support Global Export Services, (UR-L1060)(2590/OC-UR), Program to Promote Outsourced Services, (CO-L1094)(2886/OC-CO), which goals are to promote the ITeS industry in Uruguay and Colombia respectively. As a matter of fact, the design of this program was initiated with a mission of GORTT officials to Uruguay, who saw the program in execution. Lessons from these programs’ implementation militate for the convenience of condensing the offer of finishing schools and SME training services in the GSI Hub, as opposed to decentralizing them and responding to the demand of particular companies. In Uruguay, for example, this role is played by the Laboratory of Technology, which concentrates in a single campus a training center and offers facilities for rental to private companies.

B. Objectives, Components and Costs

1.20 The objective of the program is to support the advancement of Trinidad and Tobago's positioning as a renowned location for global provision of IT-enabled services. The expected impacts are increased exports and employment in the sector. This will be accomplished through sector-specific training and support services; investment promotion and branding; and capacity building to improve the business climate and regulatory framework.

1.21 The direct beneficiaries of the program are students, the unemployed and underemployed who will receive training in the Services Internationalization Hub; exporting ITeS companies who require additional qualified labor to scale their exports; and SME who wish to increase their export capacity, based on the program Components described below:

1.22 **Component I. Global Services Internationalization Hub (GSI Hub) (US\$10,395,000).** This component will finance the lease of a building to establish the GSI Hub, with an option to purchase same building after the third year of execution of the program. As indicated in ¶1.10, the project team elaborated a feasibility study that estimated the private sector demand for training, services, and facilities that the Hub could offer.²⁹ The report indicates that the Hub has the capacity to attract at least three large international companies, and stresses the importance that “the design of the TT Global Services Export Hub is such to encourage interaction among tenants and users of the facility”. In addition, the Trinidad and Tobago Association of Real Estate Agents elaborated an independent report that analyzes the different buildings and locations available for GSI Hub and recommended the lease of a building in the areas of Chaguanas, El Socorro or Port Spain, until the GORTT wishes to buy the building of choice. To execute Component I, the MPSD, will procure the goods and services required for the GSI Hub to offer: the following services:

1.23 **Internationalization training and support services.** These services will target companies and entrepreneurs in the ITeS industry who are currently exporting and wish to expand, or local companies who wish to compete internationally. Based on the demand study conducted in preparation for the program, as indicated in ¶1.9, the services to be offer (for a nominal fee) are of five types: (i) quality control and productivity improvements, including management systems required by the potential target markets, such as quality control processes (e.g. ISO 9001, eSCM-SP, CMMI); (ii) partnerships, supply chains and joint ventures for export, to strengthen the supply chains; (iii) technology skills maintenance and upgrading, including participation in specialized conferences and events, and access to

²⁹ See Intelligent Business Advantage (2013), Demand Analysis for The Trinidad and Tobago Global Services Export Hub Feasibility Study TT-L1038. [Optional Link 4](#); Association of Real Estate Agents (2013), Commercial Property Feasibility Report; [Optional Link 5](#)

specialized equipment and software licenses; (iv) market development for exports, to support companies in the prospect, penetration and consolidation of international markets, including commercial visits to target markets and organization of visits from foreign businessmen, marketing and branding; and (v) development of soft skills, such as negotiation, customer service and languages.

- 1.24 **Internationalization training and support services.** These services are directed to companies and entrepreneurs in the ITeS industry who are currently exporting and wish to expand, or to local companies who wish to internationalize. Based on the surveys conducted in preparation for the program, the services to be offered (for a nominal fee) are of five types: (i) quality control and productivity improvements, including management systems required by the potential target markets, such as quality control processes (e.g. ISO 9001, eSCM-SP, CMMI); (ii) partnerships, supply chains and joint ventures for export, to strengthen the supply chains; (iii) technology skills maintenance and upgrading, including participation in specialized conferences and events, and access to specialized equipment and software licenses; (iv) market development for exports, to support companies in the prospect, penetration and consolidation of international markets, including commercial visits to target markets and organization of visits from foreign businessmen, marketing and branding; and (v) development of soft skills, such as negotiation, customer service and languages.
- 1.25 **Finishing Schools.** The program will survey the ITeS companies operating in TT and those foreign companies which express an interest in investing in the country, and conduct a gap analysis to determine the specific needs for short-term technical training to increase the availability of qualified human capital. The MPSD, together with a private sector entity representing the ITeS sector (hereinafter “PSE”) will administer these trainings (charging students a nominal fee) in partnership with universities and capacity building centers locally and abroad, and will assist the students with career advising and job placement upon successful completion. In order to select the courses that will be administered each year, priority will be assigned based on the demand from the companies surveyed, their capacity to create the largest number of jobs, and the commitment expressed by the beneficiary companies to make job offers to successful graduates.
- 1.26 **Collaborative Physical and Technological Infrastructure.** The GSI Hub will offer technological infrastructure enabling plug-and-play operations for investors, and workspaces for students and local service providers designed to foster networking, collaboration and research and development. In addition, the GSI Hub will synergize with another IDB program –ConnectAmericas – a platform in the process of development by the IDB that is expected to be launched in 2014, and will offer SME from LAC an online ecosystem 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 facilitate international trade transactions, and obtain information about trade finance opportunities. This collaborative physical and technology infrastructure is expected to promote new ideas and business opportunities for users. The program will finance the remodeling

of the building's interiors in a manner consistent with these goals. In addition, and in order to facilitate the participation of women in the services offered by the GSI Hub, a childcare facility and a lactation room for nursing women will be offered.

1.27 Component II. Investment Promotion and Sector Branding (US\$5,161,000).

This component will support the implementation of innovative methods of promotion for the ITeS industry, including:

1.28 Sector branding campaign. The program will support the design and implementation of a sector branding campaign, that will seek to provide TT with a unified communication strategy at all government and private sector levels when promoting the ITeS sector, so that investors and other stakeholders receive the same information, messages and treatment, and begin familiarizing themselves with a brand that all companies operating in TT can benefit from. To achieve this goal, program resources will finance consulting services to support: fact-finding and outreach at the local level to design the campaign; the implementation of the campaign; and the organization of dissemination events and marketing campaigns.

1.29 Diaspora Engagement for Internationalization. The program will support consulting services to promote innovative methods to engage the TT's Diasporas, including the organization of promotion events specifically targeted to Trinidadian and Tobagonian Diasporas from the ITeS sector; mentorship programs in TT and abroad; and the establishment of a system of recognition of Diaspora members who have made outstanding contributions towards the improvement of the ITeS sector brand around the world. Criteria for the engagement of the Diasporas include: active involvement in the ITeS industry abroad; expressed interest and capacity to create jobs in the industry in Trinidad and Tobago; and capacity and willingness to participate in mentorship programs, among others to be defined in the Program's Operating Manual.

1.30 Sector Data Collection and Analysis. In order to improve the quality of the data available on the industry, thereby addressing the challenge referred to in ¶1.7, and to inform policy decisions as well as to use reliable data to advertise the industry abroad, the program will create a registry with info on trade statistics, exports, investments and jobs in the industry, hosted by the GSI Hub. In this sense, the program will support the technological infrastructure, the consultancy services to design and implement the registry, and the capacity building of the Hub's personnel to ensure its sustainability.

1.31 Component III. Capacity Building to Update Policy and Regulatory Framework (US\$1,076,000).

This component will support efforts to update TT's policy and regulatory framework for the ITeS industry, to be done in collaboration with MPSD and MTI, including consulting services of analysis and design towards: (i) the development of administrative regulations to improve the sector's competitiveness, as per the need expressed in ¶1.14 to effectively implement general legislative frameworks; (ii) the design of new policy framework documents and draft regulations for intellectual property protection and other areas relevant to

the competitiveness of the ICT sector; and (iii) the capacity building for the relevant agencies in charge of implementing ITeS policies, both at the policy and implementation level, including the Ministry of Trade, Industry and Investment and the Ministry of Science and Technology. This component will benefit from, and be synergistic with, the industry data gathered under ¶1.30.

C. Main Indicators of the Results Matrix

- 1.32 The Results Matrix, [Annex II](#), outlines the impact, results and product indicators of the program. In some cases the baseline values have been identified, whereas in other cases the information was not available in the country and the program will build the baseline with the company surveys and skills registry that will be built in the GSI Hub (¶1.30). Pursuant to the results spelled out in the Matrix, it is expected that upon completion of the program the country will: (i) increase the availability of qualified human capital and employment level in the ITeS sector; (ii) increase the export volume of the companies benefited by the program; (iii) have an updated regulatory framework that will contribute towards the industry’s competitiveness. More specifically, it is expected that at the end of the program there will be a 75% increase in the exports of the beneficiary companies, and that 1,750 people are properly trained to work in the industry and 1,070 obtain meaningful jobs in it.
- 1.33 The expected results of this program, coupled with the Economic Analysis explained below ¶2.4 and special condition of execution (ii) are fundamental considerations towards the future sustainability of the program. In fact, it is estimated that the revenues generated by the GSI Hub’s services and the rental of the facilities will ensure the continuation of the project on its own after the period of execution of this operation.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing Instruments

- 2.1 The proposed operation is structured as a specific investment loan. The estimated total cost of the project is US\$18,000,000, fully financed by the Bank’s Ordinary Capital, as per the budget below (component subtotals are estimated to the nearest thousand).

Table II.1 Budget (US\$)

Categories	Bank
Component I: Global Services Internationalization Hub	10,395,000
Component II: Investment Promotion and Sector Branding	5,161,000
Component III: Capacity Building to Update Policy and Regulatory Framework	1,076,000
Project Management	958,000
Monitoring and Evaluation	215,000
Auditing	195,000
TOTAL	18,000,000

B. Environmental and Social Risks and Safeguards

- 2.2 This program has been classified as Category “C” according to the Environment and Safeguards Compliance Policy (OP-703) and the Safeguard Classification toolkit. The activities to be financed with program resources will not have direct or significant impacts on the environment or the country’s natural resources. All acquisitions under the program will be done in compliance with Bank policies.

C. Fiduciary Risks

- 2.3 The project team conducted a fiduciary risks assessment workshop, and identified the following significant risks: (i) insufficient budget allocation to finance project activities, insofar as this allocation is done by the Ministry of Finance on a yearly basis. This risk will be mitigated through awareness-building about the project with the Ministry of Finance and the Economy (Minister, PS, senior personnel) early in the program, and the attempt to include government expenses on the project part of the Public Sector Investment Programme; and (ii) potential for delay by protracted decision-making, based on the internal processes followed by MPSD. This risk will be mitigated via delegation of responsibility to the Program Execution Unit (PEU), and by establishment of close working relationships of the PEU with technical coordinating agencies including embedding the project executing unit staff within the GSI Hub.

D. Economic Analysis

- 2.4 This economic analysis of the program focuses on the impact of the human capital development, sector promotion, and business climate improvements on the productivity of the sector’s firms and workers. Expected productivity gains as a result of the project activities are estimated for both of the primary groups of beneficiaries –students and owners of ITeS firms. In addition, the project is expected to generate revenues for the government of Trinidad and Tobago (GOTT) through two mechanisms: revenues from rental of the physical space and technology and fees from training services of the GSI Hub; and additional tax revenue attributable to gains in revenues among ITeS firms. The model was tested with a sensitivity analysis making adjustments to key assumptions, and the net economic return of the project was positive under all scenarios.

III. PLAN OF EXECUTION AND MANAGEMENT

A. Summary of Execution Mechanism

- 3.1 **Executing Agency.** The executing agency of the program will be the MPSD. In turn, the MPSD will be assisted with technical expertise from public and private sector stakeholders, including: the Ministry of Trade, Industry and Investment, InvestTT (the country’s investment promotion agency), the PSE, and ExportTT (the country’s export promotion agency, and local liaison for the IDB’s

ConnectAmericas program) to inform the decision-making process. The MPSD will sign an agreement with each of these entities.

- 3.2 As the executing agency, the MPSD will have direct responsibility for the administration of resources and the procurement processes. For the execution of the program, the MPSD will hire with loan resources a program Coordinator and a group of specialists that will form the PEU. The PEU will be comprised of: a procurement specialist, a financial specialist and a project assistant. Specific responsibilities of the PEU will include: (i) preparation, implementation and coordination of the Annual Operating Plans (AOPs); (ii) preparation of budgets, project accounting, including disbursements and reimbursement of Project funds; (iii) preparation of the program's Procurement Plan, the procurement of works, goods and related services and consulting services for the program; (iv) coordination of the preparation of technical reports, progress and financial reports; (v) monitoring of the progress of program activities and analysis of variances of actual results against plans; (vi) hiring the external audit and ensuring that the approved recommendations are implemented; (vii) facilitation of external evaluations of the program and ensuring, in collaboration with the participating entities, that the approved recommendations are implemented; (viii) serving as a liaison for the program with the Bank; (ix) preparing and managing the lease of office spaces in the GSI Hub under Component I; (x) coordinating the activities of PSE, InvestTT and the MTII for the execution of the program; (xi) hiring the consultants for PSE, InvestTT, MTII and the ConnectAmericas program that will carry out the activities described in the agreement, referred to in ¶3.1, that the MPSD will sign with each of them.
- 3.3 For the execution of the works comprised in component I, the MPSD through the PEU will hire a contractor and a supervision firm, pursuant to terms of reference agreed upon with the Bank. In addition, the administration of the GSI Hub is expected to include the rental of space to companies of the ITeS industry, and suppliers of services that the GSI Hub will offer, including a cafeteria, a childcare facility and a lactation room for nursing women. The revenues from rental will be used to finance the activities comprised within component I of the program, unless after five (5) years from the expiration of the disbursement period, the Bank and the Borrower agree to another use for such funds, without departing from the basic objectives of the Project. The program's Operations Manual will define the eligibility criteria to allow the use of the GSI Hub's premises, based on the following general guidelines: beneficiaries will be companies, students and professionals from the ITeS sector who are seeking to expand their export capacity; students who wish to learn the skills required to obtain a job in the ITeS sector; and SMEs who are users or have the potential to become users of the ConnectAmericas program. These entities were selected based on their institutional mandates to promote the ITeS industry in TT. The specific tasks entrusted to each of them –are spelled out in more detail in the Program Operations Manual.
- 3.4 **Technical Coordinating Agencies.** In order to assist the MPSD in the execution of the program and the attainment of the objectives and expected results, there will be

coordinating agencies that will provide expertise to inform all of the program's technical decisions. In this sense, the PSE, as the body representing the ITeS private sector companies, will act as the coordinating agency for Component I. PSE will support the PEU in: the sector surveys that will help identify the Finishing School courses; the delivery of these courses (selecting the instructors, preparing the syllabi, etc); and the promotion and management of the GSI Hub. For Component II, the coordinating agency will be InvestTT, the country's investment promotion agency. InvestTT will support the MPSD on the strategy to design and implement the sector branding campaign and the Diasporas engagement strategy, and it will assist in the organization of the services promotion forums. Finally, ExportTT, the country's export promotion agency, will support the MPSD in the implementation of the ConnectAmericas program in the GSI Hub.

- 3.5 The program will support the functions of the Technical Coordinating Agencies with consultants who will be specifically assigned to assist the Agencies in the technical decision-making process. In addition, both the Project Execution Unit and the Technical Coordinating Agencies will be provided space within the GSI Hub to perform their functions.
- 3.7 **Advisory Board.** Finally, there will be an Advisory Board comprising a mix of public and private sector stakeholders, responsible for advising the MPSD – from a technical standpoint – over the general strategy and execution of the program. This board will meet twice a year and will be chaired by MPSD, and will include representatives from the Ministry of Trade, Industry and Investment (MTI); Ministry of Science and Technology; InvestTT; the TT International Financial Centre; the E-Business Roundtable; the Caribbean Industrial Research Institute; the ICT Society; ExportTT; PSE; the TT Tourism Development Company; Anima Caribe, and the TT Animation Board. The Advisory Board will oversee the coordination among the participating entities mentioned above, monitor overall performance of the operation, and facilitate the work of the PEU.
- 3.8 **Operations manual.** The operations manual draft is in the [Optional Link 2](#).
- 3.9 **Project financial management.** Project financial management will be executed according to OP-273-2. MPSD will maintain proper financial management systems and will prepare an Annual Operation Plan (POA), a procurement plan and a twelve-month detailed financial plan indicating cash flow needs for the project execution and serving as the basis for advance of funds disbursements. Disbursement of advances of funds will be for the equivalent of funding needs required for the execution of project's activities stemming from approved POA and procurement plan covering periods of six months.
- 3.10 **Special contractual conditions prior to the first disbursement: (i) evidence that the MPSD has selected a project Manager for the program according to a professional profile satisfactory to the Bank; (ii) evidence that the MPSD has selected the financial and procurement specialists who will act as part of the Project Execution Unit, in accordance with terms of reference agreed upon**

with the Bank; (iii) evidence that MPSD has approved, with the prior non-objection of the Bank, an Operations Manual for the project; and (iv) evidence that MPSD has entered into agreements the Ministry of Trade, InvestTT, ExportTT and a private sector entity representing the ITeS sector with capacity to perform the functions specified in in ¶3.4 and acceptable to the Bank, establishing the roles and responsibilities of the parties in the execution of the program.

- 3.11 **Special Execution Conditions:** (i) should the MPSD decide not to exercise the purchase option referred in ¶1.22 before the end of the third year from the date of the loan contract, the loan resources allocated for the exercise of such option shall be utilized to continue to lease the building until the expiration of the disbursement period of the loan, and to the extent that the amount of said resources exceed the amount necessary for the continuation of the lease, such resources shall be utilized to finance eligible activities comprised in Component I; and (ii) revenues obtained from training services offered in the GSI Hub and companies leasing office space in the Hub financed by the program, shall be utilized only for the financing of activities comprised within Component I of the program, unless after five (5) years from the expiration of the disbursement period, the Bank and the Borrower agree to another use for such funds, without departing from the basic objectives of the project.
- 3.12 **Retroactive financing:** The Bank may finance retroactively eligible expenses for up to the amount of US\$2 million (11 % of the proposed amount of the loan) incurred by the Borrower prior to the date of loan approval. These expenses, which include the expenditures incurred in the project for the formation of the project execution unit and the securing of the GSI Hub's building, shall be recognized if they satisfy requirements substantially similar to those established in the loan contract. The costs mentioned shall be incurred during the 18 months prior to the date of loan approval, but in no event will include expenses incurred before October 17, 2013, date of approval of the Project Profile.

B. Acquisitions of goods and services

- 3.13 Procurement and contracting will be conducted by MPSD in accordance with: the policies for the procurement of goods and works financed by the Bank (GN-2349-9) and the policies for the selection and contracting of consultants financed by the Bank (GN-2350-9). The Bank will review contracts on an ex ante basis in accordance with these policies. Fiduciary Arrangements, [Annex III](#), and the Procurement Plan will specify special provisions for the execution of this project.

C. Summary of agreements for the monitoring of results

- 3.14 For the planning and programming of the investments that will be made annually under the program, the executing agency will prepare POA on an annual basis. Within 60 days of the conclusion of every semester, the executing agencies will undertake evaluations of the program, comparing projections versus outputs and

costs. In addition the MPSD will be responsible for the hiring of external auditors eligible to the Bank to perform the audit of the program, including the annual review of procurement and disbursement processes, and a final audit within 120 days of the date of last disbursement. Finally, the program evaluation will measure the interventions' effectiveness in employment creation, exports growth and institutional strengthening.

Development Effectiveness Matrix			
Summary			
<i>I. Strategic Alignment</i>			
1. IDB Strategic Development Objectives		Aligned	
Lending Program	i) Lending to small and vulnerable countries, and ii) Lending to support regional cooperation and integration		
Regional Development Goals	i) Trade openness (trade as percent of GDP), and ii) Foreign direct investment net inflows as percent of GDP.		
Bank Output Contribution (as defined in Results Framework of IDB-9)	i) Individuals (all, men, women, youth) benefited from programs to promote higher labor market productivity, ii) Number of jobs added to formal sector, and iii) Number of public trade officials and private entrepreneurs trained in trade and investment.		
2. Country Strategy Development Objectives		Not aligned	
Country Strategy Results Matrix			
Country Program Results Matrix	GN-2696	The intervention is not included in the 2013 Country Program Document.	
Relevance of this project to country development challenges (If not aligned to country strategy or country program)	GN-2638	The country strategy supports the transition to a “post-hydrocarbon model” by “fostering an environment in which non-traditional economic activities can flourish independently and the development of human capital can adapt to meet new requirements.” Moreover, the Strategy’s Private Sector note acknowledges that opportunities have been identified in the “application and leverage of ICT to enhance business performance; improving the competitiveness of existing business clusters; development of a viable onshore economy with a focus on services.”	
<i>II. Development Outcomes - Evaluability</i>		Highly Evaluable	Weight
		8.8	10
3. Evidence-based Assessment & Solution		8.9	33.33%
4. Ex ante Economic Analysis		10.0	33.33%
5. Monitoring and Evaluation		7.5	33.33%
<i>III. Risks & Mitigation Monitoring Matrix</i>			
Overall risks rate = magnitude of risks*likelihood		Medium	
Identified risks have been rated for magnitude and likelihood		Yes	
Mitigation measures have been identified for major risks		Yes	
Mitigation measures have indicators for tracking their implementation		Yes	
Environmental & social risk classification		C	
<i>IV. IDB’s Role - Additionality</i>			
The project relies on the use of country systems (VPC/PDP criteria)			
The project uses another country system different from the ones above for implementing the program			
The IDB’s involvement promotes improvements of the intended beneficiaries and/or public sector entity in the following dimensions:			
Gender Equality	Yes	The space made available to companies of the ITeS industry, and suppliers of services that the GSI Hub will offer a childcare facility and a lactation room.	
Labor			
Environment			
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project			
The ex-post impact evaluation of the project will produce evidence to close knowledge gaps in the sector that were identified in the project document and/or in the evaluation plan	Yes	The project will dedicate USD 600,000 to create the first database with information on the ITeS services sector in the country, including a census of the companies, employment and export volumes. Therefore, the evaluation will utilize these newly created baselines to provide new information and insight about the ITeS sector in the country.	

The objective of the program is to support the positioning of Trinidad and Tobago as a world renowned location for global provision of IT-enabled services (ITes). The expected impacts are increased exports and employment in the sector. This will be accomplished through sector-specific training and support services; investment promotion and branding, and capacity building to improve the business climate and regulatory framework.

The results matrix presents the impact indicators, outputs and outcomes associated with the program objectives and components. The indicators presented in the results matrix are SMART. The program includes an economic analysis for the entire program and its components.

The document includes a complete monitoring and evaluation plan. The evaluation will adopt non-experimental methods and will be based on the collection of primary data on the ITeS sector in the country.

The main risks are identified as well as their mitigation measures.

RESULTS MATRIX

PROJECT OBJECTIVE: Position Trinidad & Tobago as a world renowned location for global provision of IT-enabled services (ITeS). ¹			
Impact indicators	Baseline (2013)	Target (2018)	Description
Impact: Increased exports of IT-enabled services			
Percentage increase in exports of ITeS (%)	0	75	Baseline to be measured as part of M&E strategy for Year 1.
Impact: Increased employment in the IT-enabled services sector			
Percentage increase in the number of people employed in the ITeS sector (%)	0	82	Baseline: Tholons Inc. (2013) estimates 1298 employees in the sector. Baseline data to be validated as part of M&E strategy for Year 1. Data to be disaggregated by gender.
Percentage increase in the number of women employed in the ITeS sector (%)	0	82	Baseline to be measured as part of M&E strategy for Year 1.
Expected outcome indicators	Baseline (2013)	Target (2018)	Description
Outcome: Global recognition as IT-enabled services destination			
Inclusion in ranking of Tholons Top 100 Outsourcing Destinations	0	1	Index score of 1 indicates inclusion in the Top 100 ranking; score of 0 indicates non-inclusion.
Outcome: Capacity building in export readiness for SMEs			
Percentage increase in number of SME ITeS firms exporting (%)	0	25	Baseline to be measured as part of M&E strategy for Year 1. TT SMEs defined as <25 employees.
Number of SME ITeS firms that enter new international markets	0	50	Baseline to be measured as part of M&E strategy for Year 1. TT SMEs defined as <25 employees.
Percentage of firms receiving internationalization support services who report efficiency gains (%)	0	80	To be measured by survey of participants. Survey design included in M&E strategy.
Outcome: Capacity building among students, unemployed and underemployed in skills required for employment in ITeS sector			
Number of participants in finishing school programs that secure employment in the sector within 6 months of completion	0	984	To be measured by survey. Survey design included in M&E strategy. Survey to be undertaken under Comp. I career services consultancy. Data to be disaggregated by gender. Based on 1750 enrolled in Finishing School with 75% pass rate and 75% hire rate.

Expected outcome indicators	Baseline (2013)	Target (2018)	Description					
Percent increase in monthly salary over prior employment among finishing school graduates who secure employment in the sector within 6 months of completion (%)	0	20	To be measured by survey. Survey design included in M&E strategy. Survey to be undertaken under Comp. I career services consultancy. Data to be disaggregated by gender.					
Outcome: Establish enabling environment for ITeS export businesses								
Satisfaction rate on technological infrastructure of Hub among users (%)	0	85	To be measured by survey. Survey design included in M&E strategy.					
Score on WEF Networked Readiness Index for Laws Related to ICTs	3.2	4.2	Source: World Economic Forum's Networked Readiness Index (2013). Score determined by executive survey: "How would you assess your country's laws relating to the use of ICTs (e.g., electronic commerce, digital signatures, consumer protection)? [1= highly undeveloped; 7 = well-developed]"					
Output indicators								
Component I. Global Services Internationalization Hub								
	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	Target	Description
a) Internationalization Training and Support								
Number of internationalization training programs completed	0	12	12	12	12	12	60	
Number of participants in internationalization training programs and services	0	100	100	100	100	100	500	
b) Finishing Schools (short term technical training)								
Curriculums developed in collaboration with the private sector	0	6	8	6	4	2	26	New curriculum development declines over time as some courses are re-administered or modified based on monitoring of results.
Number of Finishing School graduates with passing qualification	0	120	180	280	360	372	1312	Assumes 75% qualification rate among 1750 total students.
c) Collaborative Physical & Technological Infrastructure								
Plan developed for outfitting of GSI Hub building to physical and technological specifications	0	1	0	0	0	0	1	Plan to be comprised of deliverables of Year 1 consultancies for Collaborative Physical & Technological Infrastructure, including engineering and architectural services, technological design, and nursery & lactation space design

Output indicators								
Component I. Global Services Internationalization Hub								
	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	Target	Description
GSI Hub building procured and outfitted according to physical and technological specifications plan	0	1	0	0	0	0	1	
Number of ITeS firms in tenancy at the Hub	0	1	4	0	0	0	5	
Number of individuals utilizing flexible work space and technology	0	75	100	200	200	200	200	Use measured by sign-in at security. Registration required to use both free and paid services and spaces.
Number of participants in training and support services utilizing the childcare and lactation facilities	0	10	20	30	30	30	120	
Component II. Sector Promotion and Branding								
	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	Target	Description
Development of sector branding strategy	0	0	1	0	0	0	1	
Number of promotion forums organized	0	0	1	0	1	0	2	
Participation in regional and international promotion forums	0	2	2	2	2	2	10	
ITeS trade statistics registry created	0	1	0	0	0	0	1	
Sector baseline statistical census completed	0	0	1	0	0	0	1	
Diaspora mentorship events conducted	0	4	4	4	4	4	20	
Component III. Policy and Regulatory Framework Update								
	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	Target	Description
Know-how exchanges conducted	0	2	2	2	2	2	10	
Develop map of institutional roles in ITeS regulation	0	1	0	0	0	0	1	
Development of strategy for ICT sector	0	0	1	0	0	0	1	
Capacity building events conducted for agencies	0	1	2	2	2	1	8	

ⁱ ITeS sector as defined in the Proposal for Operation Development (POD) text.

FIDUCIARY ARRANGEMENTS

Country: Trinidad and Tobago
Project: TT-L1038 “Global Services Promotion Program”
Executing Agency: Ministry of Planning and Sustainable Development
Fiduciary Team: Gregory Dunbar, Financial Management Specialist and Shirley Gayle, Procurement Specialist

I. EXECUTIVE SUMMARY

- 1.1 The designated Executing Agency (EA) is the Ministry of Planning and Sustainable Development (MPSD). The Bank’s Institutional Capacity Assessment System (ICAS or SECI) methodology was used to evaluate the institutional capacity of the EA.
- 1.2 The results of the ICAS indicate a medium overall fiduciary risk. We consider that after implementation of the mitigation measures, the risk can effectively be reduced.
- 1.3 Given the Bank’s assessment of the Country Systems as well as the findings of the 2008 Public Expenditure and Financial Accountability Assessment (PEPA), use will be made of the Budget, Treasury and External Control subsystems. Within thirty (30) days of signing, amendments will be made to the Appropriations Act 2013 to recognize the loan funding in GoRTT’s Budget Estimates. A non-interest bearing account, denominated in United States dollars, will be established at the Central Bank to receive drawdowns and the Auditor General will have the option to undertake the External Audit of the Programme.

II. EXECUTING AGENCY’S FIDUCIARY CONTEXT

- 2.1 The Legal, Procurement (provided by the General Administration) and Information Technology Units are housed at its main office at Independence Square, while Human Resource Management, Accounting and Internal Audit are delivered from 76 Henry Street, both in Port of Spain. The current cohort of officials in charge of Business Units are fairly new to the Ministry with the exception of Legal, IT and Internal Audit and the Ministry has no recent experience as an executing agency for Bank-funded programs. Despite these, the results of the ICAS indicate that the MPSD has the necessary fiduciary capacity to participate in the execution of this programme, although some aspects of the fiduciary systems are in need of upgrading and strengthening.
- 2.2 The Ministry will sign Memoranda of Understanding with the partner coordinating institutions Trinidad & Tobago Coalitions of Service Industries (TTCSI) and InvestTT to clarify roles and obligations.
- 2.3 As a government Ministry, MPSD is governed by the Financial Regulations and Instructions, Exchequer and Audit Act and the Central Tenders Board (CTB) Act 1961 which provide for financial administration and procurement respectively. Procurement related to Goods valuing in excess of TT\$1,000,000 and Consulting Services in excess of TT\$500,000 fall under the CTB purview. Below these values the Permanent Secretary (PS) has singular authority to approve contracts.

- 2.4 Recurrent purchases of goods and services such as stationery, office supplies, uniforms and maintenance of buildings/equipment are carried out by the General Administration Unit. There are no designated Procurement officers in GA. However some officers have benefitted from procurement courses at the Public Service Academy or put on by private institutions. The Ministry does not have an internal Procedures Manual for procurement and relies on general national guidelines as well as the acquired knowledge and experience of the staff responsible for procurements. No documents are readily available elaborating on the authority of the Permanent Secretary within the thresholds granted by Cabinet and the procedures to be adopted for procurement at this level. However, there is a practice of Permanent Secretary delegating spending limits to Head of Departments. Additionally, staffs are generally aware of the standard practice which is to invite at least three quotations.

III. FIDUCIARY RISK EVALUATION AND MITIGATION ACTIONS

- 3.1 The Project Team, in consultation with MPSD and other stakeholders, has identified the major risks that are likely to affect the proposed programme. The parties have also jointly developed a preliminary Risk Mitigation Matrix which outlines the necessary mitigating actions to be taken. A joint review of the Matrix will be undertaken on an annual basis, and any necessary additional mitigating actions will be adopted.
- 3.2 The overall financial management risk rating of the EA is Medium for all areas in term of the execution of the project. The risks center on issues of technical capacity and institutional/ internal processes. They relate specifically to lack of recent working experience with IDB policies; absence of an integrated accounting system that facilitate reporting to an international standard; and protracted delays in the hiring process where the Chief Personnel Officer (CPO) is required to approve the terms and conditions of employment.. The implementation of the mitigation actions indicated below can reduce the risk level to low for the execution of the project.
- Acquisition and installation of an accounting system that integrates financial reporting and budgeting
 - Provision of continuous training to EA and PEU Staff on Bank's fiduciary policies and procedures.
 - Recruitment of persons to PEU with public sector experience and sound understanding of government fiduciary processes.
 - The MPSD will secure Cabinet approval of salary bands for the PEU position that are consistent with Market.

IV. ASPECTS TO BE CONSIDERED IN THE SPECIAL CONDITIONS

- 4.1 To facilitate the contract negotiation by the project team and specifically by the LEG, the fiduciary arrangements that should be considered in the Special Clauses are described below:

A. Special conditions prior to the first disbursement

- 4.2 Evidence that the MPSD has selected a project Manager for the program according to a professional profile satisfactory to the Bank; (ii) evidence that the MPSD has selected the financial and procurement specialists who will act as part of the Project Execution Unit, in accordance with terms of reference agreed upon with the Bank; (iii) evidence that MPSD has approved, with the prior non-objection of the Bank, an Operations Manual for the project; and (iv) evidence that MPSD has entered into agreements with TTCSI, Ministry of Trade, InvestTT and ExportTT establishing the roles and responsibilities of the parties in the execution of the program.

B. Exchange rate

- 4.3 For purposes of justification of expenses to the Bank (including reimbursements), where the project expenses have been incurred in local currency, the equivalent amount to be reported in the project currency shall be determined using: (i) the effective exchange rate used to convert the funds denominated in the project's currency to the local currency; and (ii) the effective exchange rate on the payment date, without regard to the source of the financing used.

C. Financial reports and audit financial statements

- 4.4 The MPSD will be required to submit annual audited financial statements of the programme within 120 days following the closing of each fiscal year. The last of these audited financial statements shall be presented by MPSD no later than 120 days following the date stipulated for the final disbursement of the Financing. The financial statement audits will be conducted in accordance with the Bank's policies, and will be carried out by a firm of independent public accountants acceptable to the Bank or the Auditor General for Trinidad and Tobago.

V. FIDUCIARY ARRANGEMENTS FOR PROCUREMENT EXECUTION

- 5.1 The procurement fiduciary arrangements establish the conditions applicable to all procurement execution activities in the project.

A. Procurement Execution

- 5.2 **Staff:** The PEU within the MPSD shall be staffed with at least one Procurement Specialist, experienced in procurement within central government.

- 5.3 **Procurement of Works Goods and Non-Consulting Services:** Procurement under the project will be governed by the policies contained in GN2349-9, Policies for the Procurement of Goods and Works. The Procurement Plan indicates the procedures to be used for the contracting of works, goods, and services generated under the project. The processes subject to National Competitive Bidding (NCB) may be executed through the use of National Bidding Documents satisfactory to the Bank. Where these are not available, the Bank's Standard Bidding Documents will be used. Review of technical specifications during the preparation of the selection process, is the responsibility of the project sector specialist.

- 5.4 **Procurement of Information Technology (IT) Systems:** Procurement of IT systems will be done in keeping with the policies referenced above. The Bank's

information technology Specialist will provide technical review and advice as necessary

- 5.5 **Selection and Contracting of Consultants:** Procurement of Consulting services will be conducted in accordance with GN2350-9, Policies for the Selection and Contracting of Consultants. The Procurement Plan indicates the procedure to be used for the contracting of consulting services. Review of Terms of Reference for the selection of consulting services is the responsibility of the project sector specialist.
- 5.6 **Selection of Individual Consultants:** Individual Consultants will be selected in accordance with the policy for Selection of Consultants referenced above.
- 5.7 **Recurrent Expenses:** The project will finance recurrent expenses including: consultancy fees of project staff, lease payment and utilities for leasehold facilities.
- 5.8 **Sole Source Selection:** may be permitted with appropriate justification according to the Bank's policies and with the Bank's non-objection.
- 5.9 **Training:** The detailed procurement plan indicates the consultancy services to which training and workshops are applicable. As per GN-2350-9, if the assignment includes an important component for training or transfer of knowledge to Borrower staff or national consultants, the TOR shall indicate the objectives, nature, scope, and goals of the training Project, including details on trainers and trainees, skills to be transferred, time frame, and monitoring and evaluation arrangements. The cost for the training Project shall be included in the consultant's contract and in the budget for the assignment.
- 5.10 **Retroactive financing:** The Bank may finance retroactively eligible expenses for up to the amount of US\$2 million (11% of the proposed amount of the loan) incurred by the Borrower prior to the date of loan approval. These expenses, which include the expenditures incurred in the project for the formation of the project execution unit and the securing of the GSI Hub's building, shall be recognized if they satisfy requirements substantially similar to those established in the loan contract. The costs mentioned shall be incurred during the 18 months prior to the date of loan approval, but in no event will include expenses incurred before October 17, 2013, date of approval of the Project Profile.
- 5.11 Procurement Plan and supervision (PP): [IDBDOCS-#38173943-TT-L1038 - Preliminary Procurement Plan](#)

B. Procurement Supervision

- 5.12 The procurement plan of the project covering the duration of project execution is summarized in the above link. It indicates the procedures to be used for the procurement of goods, the contracting of works or services, and the method of selecting consultants, for each contract or group of contracts. It also indicates cases requiring prequalification; the estimated cost of each contract or group of contracts; the requirement for prior or post review modality by the Bank. The supervision modality will be determined and agreed for each selection process after discussion and review of the plan with the Team Leader. Ex-post reviews will be performed at least once per year but may be done more frequently if the volume of procurement

activities under the ex post review modality warrants. The ex post review reports will include at least one physical inspection visit. The procurement plan will be updated annually or whenever necessary as required by the Bank.

C. Records and Files

5.13 The Executing Agency, through the PEU, shall be responsible for maintaining the files and records of the project. All records and files shall be maintained by the Executing Agencies, according to accepted best practices, and be kept for a minimum of three (3) years after the expiry of the Disbursement Period or as stipulated in the Loan Agreement.

5.6 Country Thresholds - The applicable country thresholds can be found at www.iadb.org/procurement.

VI. SPECIFIC FIDUCIARY ARRANGEMENTS FOR FINANCIAL MANAGEMENT

A. Programming and Budget

6.1 The Executing Agency will ensure that a unique Budget Line is assigned to the programme in the annual Budget cycle of the GoRTT in keeping with to Section (3), subsection (5) of National Development (Inter-American Development Bank) Loans Act Chapter 71:07. The Ministry of Planning and Sustainable Development (IDB Trinidad Governor) will take the necessary steps to facilitate amendments to the Appropriations Act 2013 to recognize this new source of funding within thirty days of signing.

6.2 The Borrower will commit to allocate, for each fiscal year of programme execution, adequate fiscal space to guarantee the unfettered execution of the programme; as determined by normal operative instruments such as the Annual Operating Plan, the Financial Plan and the Procurement Plan. The Borrower will, at the start of each Fiscal Year, communicate to the Bank the Fiscal Space allocated to the programme.

B. Accounting and Financial Information Systems

6.3 Programme accounting will be completed under the cash basis, in accordance with International Financial Reporting Standards (IFRS) and the Financial Regulations of GoRTT. Given the heavily paper-based system that is used by Central Government and its inherent limitations, the accounting system will be augmented by the acquisition and installation of an off-the-shelf accounting software. It is expected that the procured accounting software will record and classify all financial transactions by component, provide information related to: planned vs. actual financial execution as well as generate the requisite reports necessary for reporting to the Bank and the GoRTT as well as for the production of the annual Audited Financial Statements of the programme.

C. Treasury: Disbursements and flow of Funds

6.4 The EA will establish, exclusively for the program, adequate banking arrangements, denominated in US Dollars, at the Central Bank of Trinidad and Tobago for the management of the Project resources. The 12-month financial plan will serve as the

basis for the disbursement of funds to the EA to cover the Project's needs (per year: 2 minimum; 4 maximum) and for the purpose of informing the Bank's projections. The main disbursement methodology will be the Advance of Funds, based on liquidity needs of the project. Other disbursement methodologies that will be used on a smaller scale are the Reimbursements (to Borrower or Executing Agency), Direct Payment to Supplier.

- 6.5 The PEU commits to maintain strict control over the utilization of the Advance so as to ensure the easy verification and reconciliation of balances between the PEU's records and Bank's Loan Management Executive Summary Report (LMS1).
- 6.6 With the consent of the Bank, up to the equivalent of 5,000,000 TT Dollars of the resources of the Loan may be used to reimburse expenditures incurred in the project for the formation of the project execution unit and the securing of the GSI Hub's building. Said expenditures shall have been incurred before the date of Loan approval but after October 17, 2013, provided that requirements substantially similar to those set forth in the Loan Contract have been fulfilled.
- 6.7 The PEU will provide adequate justification of the existing Advance of Funds balance, whenever 80% of said balance has been spent. Advances will normally cover a period not exceeding 180 days and no less than 90 days.
- 6.8 Generally, supporting documentation for Justifications of Advances and Reimbursement of Payments Made will be kept at the office of the PEU Support documentation for direct payments will be sent to the Bank for processing. Disbursements will be reviewed within the ex-post modality, except for Requests for Direct Payment to Suppliers and Reimbursements (to Borrower or Executing Agency).

D. Internal Control and Internal Audit

- 6.9 The management of the programme, at both the level of the MPSD and the PEU, will assume the responsibility for designing and implementing a sound system of internal control for the programme. Given the limited presence of codified policies and procedures, the agreed system of internal controls will be documented in an Operational Manual and will provide reasonable assurance that: (i) the project funds are used for their intended purpose; (ii) project assets are properly safeguarded; (iii) project transactions, decisions and activities are properly authorized and documented; and (iv) project transactions are executed in accordance with the established policies, practices and procedures delineated in the legal agreements. In addition, proper segregation of duties, approval authority levels for signature of contracts, commitment of funds, reception of goods and services and payment to suppliers and beneficiaries should be arranged adequately and completely captured in the accounting system and records of the programme. This Operations Manual will also be structured in such a way as to incorporate the services of the Internal Audit (IA) Function of the Ministry to further improvement the control environment and facilitate the transfer of Knowledge of IDB Policies and Procedure to the IA function of the Ministry.

E. External Control and Reporting

6.10 As an eligible entity to audit Bank-financed operations, the Auditor General will be included as an option, along with independent audit firms, for the conduct of the Financial Audits of the programme. Audits will be performed in accordance with Bank's Guidelines for Financial Reports and External Audit and the International Standards on Auditing (ISA) or the equivalent. The EA, through the PEU, will be responsible for contracting of an external auditor eligible to the Bank to perform the programme audit, if necessary, as follows: (i) an annual financial audit of the programme to be submitted within 120 days of the end of fiscal year; (ii) a quarterly review of the disbursement processes and the updated financial and procurement plan to be submitted within 20 days of each period; and (iv) one final financial audit of the programme to be submitted within 120 days after the date of last disbursement. Limited reliance will be placed on the working papers of the IA function of the Ministry to augment and support of the External Auditor.

F. Financial Supervision Plan

6.11 Financial Supervision will be informed based on the initial and subsequently assessed risk of the programme and the MPSD. Financial, Accounting and Institutional Inspection visits will be conducted at least once per year to ascertain the proper functioning of the accounting systems, and the adequacy of the internal control system and to follow-up on the fiduciary risk initially assessed.

G. Execution Mechanism

6.12 The Borrower has designated the MPSD as Executing Agency, with broad oversight responsibility for all matters related to the programme, and with direct responsibility for the administration of resources and the procurement processes. For the execution of the program, the MPSD will contract a Project Manager, a Procurement Specialist, a Financial Specialist and Project Assistant, who will constitute the Project Execution (PEU), which will be responsible for actual implementation. The PEU will be responsible for the overall administration of resources and for coordinating and executing the activities of the programme.

6.13 Specific responsibilities of the PEU will include: (i) preparation, implementation and coordination of the Annual Operating Plans (AOPs); (ii) preparation of budgets, project accounting, including disbursements and reimbursement of project funds; (iii) preparation of the Program's Procurement Plan, (iv) coordination of the preparation of technical reports, progress and financial reports; (v) monitoring of the progress of program activities and analysis of variances of actual results against plans; (vi) hiring the external audit and ensuring that the approved recommendations are implemented; (vii) facilitation of external evaluations of the programme and ensuring, in collaboration with the participating entities, that the approved recommendations are implemented; and (viii) serving as a liaison for the Program with the Bank. In addition, an Advisory Board chaired by the MPSD, will be established. The Board will comprise a mix of public and private sector stakeholders. This board will meet twice a year to oversee the development of the program, and counsel the MPSD on the program's general strategy and execution.