

TC ABSTRACT

I. Basic Project Data

▪ Country/Region:	REGIONAL/IDB
▪ TC Name:	Blockchain Innovation in the Caribbean
▪ TC Number:	RG-T3813
▪ Team Leader/Members:	GRANT, KAYLA SHAREE (IFD/CTI) Team Leader; PARDO, ALEJANDRO Alternate Team Leader; DOHNERT DE LASCURAIN, SYLVIA EVA (IFD/CTI); ALLENDE LOPEZ, MARCOS (ITE/IPS); GILES ALVAREZ, LAURA (CCB/CBA); DOOKIESINGH, VASHTIE K.; HOULISTON, RUTH SIMONE; DRAKES, LISA (IFD/CTI); KELLY CASTILLO, EMILY LETICIA (IFD/CTI); ALMEIDA OLEAS, NATALIA (LEG/SGO); BERTRAND, ANNIE (IFD/CTI); GONZALEZ ALZUALDE, YOHANA BEATRIZ (IFD/CTI); MARINEZ, CARLOS SAMIR (IFD/CTI)
▪ Taxonomy:	Client Support
▪ Number and name of operation supported by the TC:	N/A
▪ Date of TC Abstract:	09 Nov 2020
▪ Beneficiary:	CCB
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK
▪ IDB funding requested:	US\$400,000.00
▪ Local counterpart funding:	US\$160,700.00 (In Kind)
▪ Disbursement period:	24 months
▪ Types of consultants:	Individuals; Firms
▪ Prepared by Unit:	IFD/CTI - Competitiveness, Technology and Innovation Division
▪ Unit of Disbursement Responsibility:	IFD/CTI - Competitiveness, Technology and Innovation Division
▪ TC included in Country Strategy (y/n):	No
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Social inclusion and equality ; Productivity and innovation ; Gender equality

II. Objective and Justification

- 2.1 The objective of this TC is to stimulate the adoption of innovative technological solutions to pervasive challenges in the Caribbean and to strengthen the emergence of a blockchain innovation hub in the region that will support the acceleration of digital transformation in an inclusive and responsible manner.
- 2.2 The Caribbean region has been exploring the application of blockchain technology to solve pervasive problems long before some of the most advanced nations. For example, more than USD\$15millions have been invested in Bitt.com, a Caribbean social enterprise focused on building a digital payment ecosystem that is more financially inclusive. Other important investments by regulators, central banks, private firms, and academia have followed to better understand the social and economic costs, risks and benefits of blockchain technology for the region. Moreover, the Caribbean Blockchain Alliance (CBA) was established in 2016 to provide a forum of discussion among private and public individuals interested in this disruptive innovation and its regulatory implications. Blockchain technology permits distributed access to confidential information and the legal exchange of assets or rights via smart contracts

thereby significantly increasing the efficiency of administrative procedures and facilitating compliance with regulations in both the public and private sectors.

- 2.3 Disruptive technologies such as blockchain can greatly impact small and vulnerable countries. Within this dynamic context, in 2019 Compete Caribbean launched the Caribbean Blockchain Innovation Initiative (BII) in collaboration with IDB Lab's LACCHAIN. LACCHAIN was formally launched in 2018 as a public good to facilitate interoperability and scalability of blockchain networks that companies and government entities can build on to operate more efficiently. The BII is a 5-step innovation challenge seeking to (i) raise interest about the value of blockchain as an innovative technology for inclusive and sustainable economic growth in the region; and (ii) build a pipeline of projects that can be funded to pilot the application of blockchain solutions to Caribbean problems.
- 2.4 During the Call for Challenges (step 1), 30 Caribbean entities (public and private) expressed interest. 14 were categorized into 7 areas based on the significance of potential impact on inclusive and sustainable economic development. During the Call for Solutions (step 2), 40 blockchain companies (75% of which from the Caribbean) presented their solution live during the virtual Blockchain Symposium (step 3). The Call for Proposals (step 4) required blockchain companies to work closely with Caribbean entities (ie. problem owners) to prepare a full proposal to pilot the solution. Such public-private collaboration was a critical part of the overall pipeline building process. Out of fourteen proposals received, six projects were invited to pitch before the Investment Panel (step 5) on October 1st, 2020 for the final evaluation stage.
- 2.5 The selected proposals were: (i) a new parametric insurance product for micro/small businesses and vulnerable groups (ii) a blockchain-based academic passport for young professionals. Technical assistance will support the problem owners to pilot the technological solution.
- 2.6 This TC is consistent with (i) The update to the Institutional Strategy (UIS) 2010-2020 (AB-3008) (productivity and innovation and the special needs of small and vulnerable countries in fostering development through the private sector); (ii) priorities defined in the Innovation, Science and Technology Sector Framework Document (GN-2791-3); and (iii) priorities of the "Proposal for the Establishment of the Compete Caribbean Partnership Facility" (GN-2851).

III. Description of Activities and Outputs

- 3.1 **Component I: Blockchain-based Parametric insurance for small vulnerable businesses and groups.** To address the twin challenges of affordability and speed of pay-out, the Climate Resilience Execution Agency for Dominica (CREAD) together with the Blockchain & Climate Institute (BCI) as joint problem owners will develop a blockchain-based parametric insurance product that provides a flexible and cost-effective way to help financially underserved populations, including homeowners and small businesses, to recover more quickly in the face of climate events.
- 3.2 **Component II: Blockchain-based academic passport for young professionals .** This pilot will support the University of the West Indies (UWI) Open Campus in creating an ecosystem to facilitate digital certificates to over 150,000 students and teachers. The project contemplates about 84,000 certificates by universities and key organizations focusing on the most vulnerable populations, including women, to enhance their opportunities via "Digital Certificates".
- 3.3 **Component III: Capacity building of the Caribbean Blockchain Alliance (CBA) .** This component will focus on (1) strengthened institutional capacity of the CBA to support the ecosystem and to ensure financial viability; (2) engaged public and private sectors for improved dialogue and regulatory framework around blockchain solutions;

and (3) sensitization and knowledge dissemination amongst potential users of blockchain technology solutions.

IV. Budget

Indicative Budget

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
Blockchain-based Parametric insurance for small vulnerable businesses and groups	US\$180,000.00	US\$49,500.00	US\$229,500.00
Blockchain-based academic passport for young professionals	US\$180,000.00	US\$89,200.00	US\$269,200.00
Capacity building of the Caribbean Blockchain Alliance (CBA)	US\$40,000.00	US\$22,000.00	US\$62,000.00
Total	US\$400,000.00	US\$160,700.00	US\$560,700.00

V. Executing Agency and Execution Structure

- 5.1 The execution of this TC will be carried out by the Bank through the Competitiveness and Innovation Division (IFD/CTI) in coordination with the Facility Coordination Unit (FCU) of the Compete Caribbean Partnership Facility based in Barbados, as well as with the economic department of Caribbean offices (CCB/CBA). Technical support will also be provided by the IDB experts involved in LACCHAIN and members of the team for the execution of this TC.
- 5.2 The execution and disbursement period will be 24 months and the UDR will be IFD. The procurement of individual consulting services will be carried out by the IDB in accordance with Human Resources (HRD) Complementary Workforce Policy (AM-650). The procurement of consulting firms will be carried out by the IDB in accordance with the Policy for the Selection and Contracting of Consulting Firms for Bank-executed Operational Work (GN-2765-1). The procurement of consulting services different from consultants will be carried out by IDB in accordance with Corporate Procurement Policy (GN-2303-20).
- 5.3 The Compete Caribbean Partnership Facility (CCPF), approved under GN-2851, was jointly designed with donors to be a Bank Executed Program, through the CCPF's Facility Coordination Unit (FCU) established in COF Barbados. The Bank has demonstrated its ability to coordinate and motivate action across diverse stakeholders at both the national and regional levels.

VI. Project Risks and Issues

- 6.1 Given the novelty of blockchain technology, the speed of technological adoption by the intended market is a risk to sustainability of project activities. To mitigate such risks, (i) a market penetration strategy and business model will be developed and then tested in the market and (ii) experts from IDB's LACCHAIN will ensure the technical feasibility of the solutions to be deployed in the market. The projects will build on the LACCHAIN's protocols which will facilitate scalability once the pilots have been completed. In terms of financial risks, both projects will develop financial models that will be assessed for viability.

VII. Environmental and Social Classification

- 7.1 The ESG classification for this operation is "C".