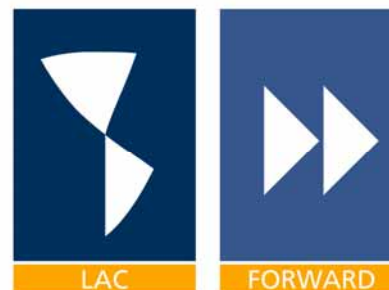
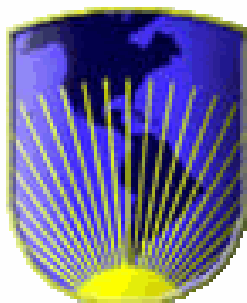


# INTER-AMERICAN DEVELOPMENT BANK



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## INFORMATION TECHNOLOGY FOR DEVELOPMENT DIVISION (SDS/ICT)

**NOVATECH**  
**Caribbean**  
**Santo Domingo**  
**October 2005**

**Issues in ICT Financing in the**  
**Caribbean**  
**By Antonio Ca' Zorzi**  
**Consultant**

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# Presentation



- ICT a priority for all
- Infrastructure is still weak
- Challenges of ICT Financing
- IDB Financing for private sector projects



# ICT Priority for All

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# ICT Infrastructure



- Infrastructure is still weak and, when available, expensive
- Telecom Operators are Investing
  - Liberalization of voice/data induces investment by incumbents and entrants
  - New backbones should improve Internet access in the Caribbean
- Liberalization is slow and not always effective
- Conclusion: massive Internet access is still a few years away & ICT in businesses will grow, but slowly



# Challenges of ICT Financing



- New business models, but also huge impact on traditional sectors
- Volatile (even established firms) = risky
- Intangible assets = even more risky
- Lack of knowledge in the banking sector = 200+% collateral



# Challenges of ICT Financing



- Capital investment is lacking in the Caribbean
- Business culture & managerial skills needs to be enhanced
- Do not try to mimic US IT models
- Small Islands do not deliver market depth: need for niche and/or aggregation



# Opportunities



- ICT and other intangible assets are a growing part of the value of firms
- ICT Investment has higher returns at firm level and, ultimately, for investors
- Financial intermediaries will appear to offer alternative financing mechanisms or offer credit enhancement



# Priorities/Instruments



- Improving business skills in the use of ICT
- Strengthening venture capital offerings
- Mobilizing local financial resources (banks, but also other investors) through specific instruments such as:
  - Guarantees
  - Structured finance
- Facilitating ventures between Caribbean firms as well as foreign investment



# IDB Financing



- IDB Group works with Governments to support ICT reform processes, as well as e-government initiatives, and
- With the private sector to support demand and offer of ICT services and applications



- Inter-American Investment Corporation
  - Direct loans / co-lending agreements
  - Targets SMEs
  - ML term loans or guarantees
  - Direct loans: 1.5 to 15m US\$
- Inter-American Development Bank (Private Sector Department)
  - Direct ML loans mostly to utilities, including telecom operators



- **Multilateral Investment Fund**
  - Investment funds (also in the Caribbean)
  - Technical Cooperation: ICT Adoption and Software sector
  - ICT4BUS Program: regional competition for SME-related ICT services and solutions (managed by the IDB)



# ICT4BUS 2006



- The New ICT4BUS Program
  - Non-profit organizations: trade association, research centers, universities, foundations
  - Strong emphasis on demand and sustainability of funded projects
  - Projects need to be innovative
  - MIF Contribution: 100,000 – 450,000, up to 60/70% of project cost
  - 7-10 projects approved per Call for Proposal
  - Expected launch: 1<sup>st</sup> Call April 2006



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Thank You!

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[www.iadb.org/ict4bus](http://www.iadb.org/ict4bus)