**TC ABSTRACT**

**I. Basic Project Data**

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| ▪ Country/Region: | REGIONAL/CCB - Caribbean Group |
| ▪ TC Name: | Innovation and tourism expansion and diversification |
| ▪ TC Number: | RG-T3338 |
| ▪ Team Leader/Members: | Stevenson, Claudia (IFD/CTI) Team Leader; Lindsay, Courtney Oliver (IFD/CTI); Drakes, Lisa (IFD/CTI); Franklyn, Russell Levon (IFD/CTI); Grant, Kayla Sharee (IFD/CTI); Lopez de Valles, Maria Fernanda (IFD/CTI); Bertrand, Annie (IFD/CTI); Moreda Mora, Adela (CSD/RND) |
| ▪ Taxonomy: | Client Support |
| ▪ Number and name of operation supported by the TC: | N/A |
| ▪ Date of TC Abstract: | 07 Aug 2018 |
| ▪ Beneficiary: | The Bahamas, Barbados, Belize, Guyana, Jamaica, Suriname, Trinidad and Tobago, 6 OECS countries |
| ▪ Executing Agency: | INTER-AMERICAN DEVELOPMENT BANK |
| ▪ IDB funding requested: | $ 300,000.00 |
| ▪ Local counterpart funding: | $ 60,000.00 (In Kind) |
| ▪ Disbursement period: | 36 months |
| ▪ Types of consultants: | Individuals |
| ▪ Prepared by Unit: | Competitiveness, Technology and Innovation Division |
| ▪ Unit of Disbursement Responsibility: | Institutions for Development |
| ▪ TC included in Country Strategy (y/n): ▪ TC included in CPD (y/n): | No No |
| ▪ Alignment to the Update to the Institutional Strategy 2010-2020: | Productivity and innovation; Environmental sustainability |

**II. Objective and Justification**

2.1 The objective of this TC is to build the capacity of the Caribbean Tourism Organization (CTO) to diversify the product offering and enable more entrepreneurs to generate revenues from tourism. This will be achieved through the development of community-based tourism (CBT), market intelligence, and the penetration of innovative technology. These strategic priorities were identified through the co-design of a Capacity Enhancement Plan funded by Compete Caribbean over the past six-months.

2.2 The Caribbean has the most desirable, year-round, warm weather destination and has a purpose to lead sustainable tourism in the region. The CTO has a membership of 26 countries as well as private sector entities to whom they provide services and information necessary for the development of sustainable tourism for the economic and social benefit of the Caribbean people. One of their strategic priorities is to diversify the regional tourism landscape by fostering community-based experiences that ensure equitable, inclusive and sustainable access to tourism assets and markets. Tourism in the Caribbean continue to be an important economic activity, providing significant employment, foreign direct investment (FDI) and foreign exchange. Caribbean countries struggle to maintain an effective balance between tourism development and sustainability. In many countries, the biodiversity and other natural or cultural assets which complement the tourism product and provide a competitive advantage are being degraded. Large-scale all-inclusive tourist enclaves and overuse of marine resources have negative impacts on fragile ecosystems. CBT will protect the natural environment because community members will have an economic incentive to protect their landscape, flora and fauna in order to continue to attract visitors.

**III. Description of Activities and Outputs**

3.1 Component 1. Market research in source market. The CCPF will finance a primary market research in source markets to assess the demand for a wide variety of products, services and experiences that can be offered through CBT in the Caribbean. This market research will be used to inform communities about the size and characteristics of market opportunities and build the capacity of CTO and national BSOs in supporting local CBT clusters. Component 2. Community-Based Tourism (CBT) roadmap and guidelines. The purpose of this component is to increase the opportunities for participation in tourism by local communities and diversify the regional tourism product through the development of CBT experiences. The expected result is a comprehensive framework that provides a progression along specific dimensions to guide communities in developing and framing their product offering. Component 3. Tourism EZ-Pay to increase penetration of digital payments using mobile wallet technology. This component will assist CTO in developing a strategy whereby the organization takes advantage of on-going mobile money solutions being undertaken by several fintech companies in the Caribbean to support the adoption of digital payment technology. This will enable MSMEs to capture more revenues from visitors both in traditional coastline tourist areas, as well as in community tourist areas.

3.2 **Component I. Market research in source market.** Inform communities about the size and characteristics of market opportunities and build the capacity of CTO and national BSOs in supporting local CBT clusters.

3.3 **Component II. Community-Based Tourism (CBT) roadmap and guidelines.** Increase the opportunities for participation in tourism by local communities and diversify the regional tourism product through the development of CBT experiences.

3.4 **Component III. Tourism EZ-Pay to increase penetration of digital payments using mobile wallet technology.** Assist CTO in developing a strategy whereby the organization takes advantage of on-going mobile money solutions being undertaken by several fintech companies in the Caribbean to support the adoption of digital payment technology.

**IV. Budget**

**Indicative Budget**

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| --- | --- | --- | --- |
| **Activity/Component** | **IDB/Fund Funding** | **Counterpart Funding** | **Total Funding** |
| Market research in source market | $ 100,000.00 | $ 20,000.00 | $ 120,000.00 |
| Community-Based Tourism (CBT) roadmap and guidelines | $ 125,000.00 | $ 30,000.00 | $ 155,000.00 |
| Tourism EZ-Pay to increase penetration of digital payments using mobile wallet technology | $ 75,000.00 | $ 10,000.00 | $ 85,000.00 |

**V. Executing Agency and Execution Structure**

5.1 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. The execution of this TC will be carried out by the Bank through the Competitiveness and Innovation Division (IFD/CTI) in coordination with FCU. Project output indicators will be monitored following the Monitoring and Evaluation (M&E) framework of the CCPF. CCPF will work with the CTO, national hotel and tourism organizations, and one fintech company, BITT with whom CTO already has a Memorandum of Understanding (MOU) to execute their mobile money solution. Monitoring of project implementation will be based on the annexed Results Framework, which is considered indicative of expected results at the time of approval. A Baseline Assessment will be conducted to confirm indicators, data collection methodologies and baseline data.

5.2 The execution and disbursement period is expected to last 36 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).

The CTI team has strong experience in designing and implementing cluster capacity building projects. The Bank has demonstrated its ability to coordinate and motivate action across diverse stakeholders at both the national and regional levels. The main counterpart to the project, the CTO, is the Caribbean region’s tourism development agency. With government and non-government members, CTO provides services and information necessary toward the development of sustainable tourism in the region. CTO has a long history of providing, among other services, technical assistance and advice with respect to tourism, provision of training and education, as well as carrying out advertising and promotion of the Caribbean as an outstanding destination. The CTO will make a productive partner in the execution of this project and is one of its main beneficiaries.

**VI. Project Risks and Issues**

6.1 In CBT, there is the risk of the initiative being co-opted by special interests in the community as elites or main tour operators may seek to capture the benefits to the exclusion of other members. This risk can be mitigated by: i) building strong governance structure and learning from experience and lessons learned from other countries; ii) using a bottom up approach of execution which will ensure greater success of the CBT initiatives; and iii) conducting a market research to reveal a demand for products, services and amenities that are not provided at the local level. This will provide additional incentives for various entrepreneurs to work with communities to generate revenues.

Regarding EZ-PAY, there is the risk that MSMEs may be reluctant to adopt the mobile payment system as there is currently a lack of knowledge about mobile money and digital currencies, and MSMEs may prefer to remain in their comfort zone of collecting cold cash for their products or services. This risk will be mitigated through workshops targeting MSMEs and other forms of campaign to demonstrate the safety and reliability of mobile payment solutions.

**VII. Environmental and Social Classification**

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