

## Technical Cooperation Document

### I. BASIC INFORMATION

▪ Country/Region:	Regional
▪ TC Name:	Improving Caribbean competitiveness by addressing crime and violence issues.
▪ TC Number:	RG-T2364
▪ Team Leader/Members:	Stefano Tinari (CBA/ICS) Team Leader; Inder Ruprah and Diether Beuermann (CCB/CCB); Musheer Kamau (CSU/CCB); Arnaldo Posadas, Mary Vrinotis and Blanca Torrico (IFD/ICS); Sylvia Dohnert and Louise Armstrong (IFD/CTI); Monica Lugo (LEG/SGO).
▪ Date of TC Abstract authorization:	June 28, 2013
▪ Beneficiary (countries or entities which are the recipient of the technical assistance):	Barbados, Guyana, Jamaica, The Bahamas, Trinidad and Tobago, Suriname/CCB
▪ TC Taxonomy	Research and Dissemination
▪ Executing Agency and contact name	Inter-American Development Bank (IFD/ICS)
▪ Donors providing funding:	Special Program for Citizen Security Fund (CSF)
▪ IDB Funding Requested:	US\$340,000 – Nonreimbursable
▪ Local counterpart funding, if any:	No
▪ Disbursement period	24 months
▪ Execution period	20 months
▪ Required start date:	January 2014
▪ Types of consultants (firm or individual consultants):	Individual and Consulting firms.
▪ Prepared by Unit:	IFD/ICS
▪ Unit of Disbursement Responsibility:	IFD/ICS
▪ TC Included in Country Strategy (y/n): TC included in CPD (y/n):	The objective of this program is consistent with the guidelines of the Special Program and Multidonor Fund for the Citizen Security Initiative (GN-2660)
▪ GCI-9 Sector Priority:	Institutions for Growth and Social Welfare: Citizen Security. Social Policy for Equity and Productivity.

### II. OBJECTIVES AND JUSTIFICATION

- 2.1 **The context:** According to the latest *Global Competitiveness Report 2012-2013*<sup>1</sup>, Latin America and the Caribbean still face competitive challenges despite steady growth, in particular: high levels of insecurity; poor infrastructure; inefficient allocation of resources; low capacity to generate new knowledge to strengthen R&D innovation. Crime and violence is in fact one of the biggest problematic factors to improve the business environment in many of the Caribbean countries.
- 2.2 When looking at the “crime and theft” index, Barbados ranks 74, Guyana 123, Jamaica 141, and Trinidad and Tobago 139 out of a total of 144 countries. In Guyana and Jamaica, crime and theft are actually the main concern for improving competitiveness (19.3% and 17.7% of respondents, respectively), and in Trinidad and Tobago the problem ranks in second place (16.9% of respondents)<sup>2</sup>.

<sup>1</sup> World Economic Forum 2012

<sup>2</sup> World Economic Forum, *Global Competitiveness Report 2012-2013*

- 2.3 The increase in violent crime has been attributed to many factors, such as the rapid growth of organized crime, fuelled by drug and arm trafficking, social inequality, and limited access to some key services such as education and health. This situation is aggravated by feeble state capacity, weak rule of law, and inadequate and inefficient public responses to tackle citizen security in a comprehensive and coordinated manner.
- 2.4 **The problem:** Crime and violence has a direct impact on the competitiveness and the business climate in affected countries, adding to the costs of health and welfare services, reducing a country's productivity, decreasing the value of property, disrupting a range of essential services and generally undermining the fabric of society.
- 2.5 In a 2004 country report<sup>3</sup>, the World Bank underlines some of the major consequences of crime and violence on business in Jamaica. This study emphasizes how insecurity diverts investments away from business expansion and limits productivity improvement, leading to business losses, in terms of outputs (as a result of reduced hours of operation or the loss of workdays when violence outbreaks) or caused by a temporary or permanent reduction in the labor force, due to injuries or murder. Crime and violence can also drive the relocation of firms to less crime-prone countries, thus impacting the country's productivity, as well as erode the development of human as well as social capital. Jamaica implemented a Business Victimization Survey in 2004<sup>4</sup>, which showed that 65% of firms reported one or more forms of criminal victimization, particularly in the tourism and agricultural sectors.
- 2.6 In the Caribbean, business climate is also hampered by a series of additional drivers, one of them being the inadequately educated workforce, as underlined in the latest Global Competitiveness Report 2012-2013<sup>5</sup>. This indicator is particularly relevant to further understand the nexus between competitiveness and citizen security in the Caribbean, given the many social and economic factors that put youth at-risk in the region. Limited socio-economic opportunities are a push factor for violence: unemployment is actually the main concern of Caribbean youth<sup>6</sup>. It reaches extreme levels in most countries (34% in Jamaica; 25.4% in Trinidad and Tobago; 21.8% in Barbados) and are higher than the overall unemployment rate, in a region where 30% of the population is between 18 and 30 years of age<sup>7</sup>. Youth violence has also been associated with low levels of educational achievement. Finally, the efficiency in investigating, resolving and prosecuting crime in the region is poor, contributing to the decrease of the levels of competitiveness<sup>8</sup>.

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<sup>3</sup> World Bank, *The Road to Sustained Growth in Jamaica*, 2004, chap. 6 "Crime and its impact on business in Jamaica", <http://siteresources.worldbank.org/INTLAWJUSTINST/Resources/JamaicaPaper.pdf>

<sup>4</sup> <http://www.slideserve.com/abeni/impact-of-crime-on-business-and-the-investment-climate-in-jamaica-january-22-2004>

<sup>5</sup> [http://www3.weforum.org/docs/WEF\\_GlobalCompetitivenessReport\\_2012-13.pdf](http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2012-13.pdf)

<sup>6</sup> UNDP Citizen Security Survey 2010, in *UNDP Caribbean Human Development Report 2012*

<sup>7</sup> UNDP Caribbean Human Development Report, 2012

<sup>8</sup> Measuring the Competitiveness of Selected CARICOM Countries: The Findings of the Global Competitiveness Index 2009-2010, World Economic Forum, ICF/CMF Private Sector Development Paper No.1 2009

- 2.7 **The strategy:** The World Bank Group in collaboration with the Inter-American Development Bank (IDB) and Compete Caribbean Countries are developing an initiative, denominated Enterprise Surveys<sup>9</sup>, that consists in a mapping exercise of enterprises in Latin America and the Caribbean, linked with a survey on competitiveness and the main challenges and opportunities for “doing business”. This exercise focus on the various factors that shape the business environment, either facilitating or constraining business creation and development, and various Caribbean countries were considered for the purpose of the survey<sup>10</sup>. This survey has been a very useful instrument to assess country’s business environment characteristics with firm productivity and performance, and have included a component of “crime and informality”. The indicators developed under this category help evaluate elements such as the percent of firms paying for security; losses due to the theft and vandalism against a firm; security costs of firm; the percent of firms identifying crime, theft and disorder as a major constraint. Additional tools have been put in place in other contexts, such as business victimization surveys<sup>11</sup>, and a program to provide information on evidence-based crime and violence policy making in Caribbean has been recently approved by the IDB (RG-T2196). The strategy of this program is to analyse and complement available indicators and information provided by the Technical Cooperation (TC) RG-T2196, and to develop a more complete and specific analysis of the impact of crime and violence on business climate and competitiveness, and will help examine the problem from the perspective of the private sector.
- 2.8 **The objective:** The objective of this TC is to identify impediments and obstacles to business competitiveness related to crime and violence in the Caribbean region, and contribute to the identification of mitigating measures.
- 2.9 The specific objectives of this TC are:
- a. Generate knowledge about the impact of crime and violence on the business competitiveness in the Caribbean, through a specific survey;
  - b. Engage the private sector in a dialogue with public authorities, to better design policies to address challenges related to the crime and violence and competitiveness.
- 2.10 This project is aligned with IDB policies, as expressed in the Citizen Security Initiative, (Civic Coexistence and Public Safety, IDB Document GN-2535), as well as with the main objectives of the Compete Caribbean program (RG-X1044),

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<sup>9</sup> [www.enterprisesurveys.org](http://www.enterprisesurveys.org)

<sup>10</sup> Among the various CARICOM countries, the following borrowing members of the IDB were included: Bahamas, Barbados, Belize, Guyana, Suriname, Jamaica, Trinidad and Tobago.

<sup>11</sup> Business Victimization Surveys are an interesting tool to complement other victimization surveys addressed to households: they help examine the types of crime and violence that affect the private sector, the context of victimization, the social and economic impact of crime in terms of “doing business”, as well as the perceptions of the private sector on the response provided by public institutions responsible for citizen security, and areas for improvement. Such an initiative was successfully implemented by the Mexican National Institute for Statistics and Geography (INEGI) in 2012, and produced interesting results: <http://www.inegi.org.mx/est/contenidos/proyectos/encuestas/establecimientos/otras/enve/enve2012/default.aspx>

specifically in the improvement of the business climate and in generating knowledge products on the private sector in this sub-region. In addition, citizen security, and crime and violence reduction are an expressed priority in the current IDB country strategies for The Bahamas, Jamaica, Trinidad and Tobago, Guyana, and Suriname.

- 2.11 The TC also contributes to the targets of the Bank's ninth capital increase, GCI-9, Social policy for equity and productivity, by improving competitiveness and job creation, and contributing to achieve sustainable reduction in poverty and inequality.

### III. DESCRIPTION OF ACTIVITIES/COMPONENTS AND BUDGET

- 3.1 Component 1: Regional Survey Assessing the impact of crime and violence on the private sector in the Caribbean. This component will contribute to improving the information and analysis of the impact of crime and violence<sup>12</sup> on business competitiveness in the Caribbean, through the consolidation of a set of standardized indicators that will complement the component on crime developed by Enterprise Surveys. The expected outcome will be a clearer and more precise assessment of business victimization and crime perception of private firms as a means to foster public security decision-making in a way that will improve the economic sustainability and attractiveness of the targeted countries.
- 3.2 This component will finance the following activities:
- a. **Analysis of available data and design of indicators to collect data within the region. Definition of survey methodology.** Current available data will be collected and analyzed previous to the definition of the survey methodology. Once the analysis is completed, the methodology will be defined and the survey designed. This questionnaire will help measure the aspects related to crime, violence and competitiveness not specifically covered during similar initiatives, such as the Enterprise Surveys<sup>13</sup>, and will concentrate on the following components: cost of crime on business; spending from private sector on security, types and characteristics of business victimization; perception by businesses of citizen security institutions; loss as a result of crime; private sector challenges and opportunities to address crime and violence.
  - b. **Execution of survey in selected countries.** The data collection will be based on the defined methodology, and will be designed to integrate or complement existing relevant data collection initiatives in selected countries<sup>14</sup>.
  - c. **Data analysis and elaboration of policy recommendations.** Once completed the data from the application of the questionnaire will be analyzed by a

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<sup>12</sup> This TC will complement the collection and analysis of crime and violence information undertaken in the TC RG-T2196 Crime and Violence in the Caribbean, and will help examine the problem from the perspective of the private sector.

<sup>13</sup> Enterprise Surveys, *Implementing Enterprise Surveys in Latin America and the Caribbean*, The World Bank Group, Latin America and the Caribbean Series Note No. 10, January 2013

<sup>14</sup> TC RG-T2196-Crime and Violence in the Caribbean

specialized consulting entity, and specific policy recommendation will be produced to prevent, mitigate and combat the effects of crime and violence on competitiveness.

- d. **Report on the impact of crime and violence on business competitiveness in the Caribbean and dissemination of results:** the results of the analysis and the policy recommendations will be disseminated in a report that will be published and made available in digital format. This report will be addressed to Caribbean decision-makers and private sector stakeholders, in order to better define citizen security public policy that contributes to improving the business climate in the targeted countries, and reducing the way in which crime curbs competitiveness in the region. The report will constitute the basis of the Dialogue activities described in component 2 below.

3.3 Component 2: Improving business climate by promoting the participation of the private sector in crime prevention strategies. The main outcome of this component is to facilitate the exchange of knowledge and practices that will further improve the business climate in the beneficiary countries.

3.4 This component will finance the following activities:

- a. **Regional dissemination event.** For the purpose of discussing the main challenges and solutions to improve the business climate through more effective crime prevention strategies, two regional events will be planned to disseminate key findings and policy recommendations made in the report prepared under the project. The meetings will be directed to regional public security officials and representatives of the private sector, and will promote greater participation of the private sector in decision-making processes on citizen security as a mean to address crime prevention as a tool for “better business”.

#### IV. BUDGET

4.1 The total amount of Bank financing is up to the amount of US\$340,000 to be financed on a non-reimbursable basis chargeable to the resources of the Special Program for Citizen Security Fund administered by the IDB.

**Table IV.1 Budget (US\$ dollars)**

Activity/Component	Description	IDB/Fund Funding	Counterpart Funding	Total Funding
1. Regional survey preparation and design and execution.	Analysis of available data and design of indicators to collect data within the region. Definition of survey methodology. Execution of the survey in selected countries.	70,000		70,000
2. Survey results analysis	Data analysis on the outcomes and definition of policy recommendations.	100,000		100,000
3. Preparation of report	Preparation and digital publication of report based on survey results and related policy	40,000		40,000

Activity/Component	Description	IDB/Fund Funding	Counterpart Funding	Total Funding
	recommendation.			
4. Regional dissemination events.	Two regional events will be planned to bring together public and private sector stakeholders and present the results of the survey and the policy recommendation.	100,000		100,000
5. Coordination of the TC	Consultant for the coordination	30,000		30,000
			<b>TOTAL:</b>	<b>340,000</b>

- 4.2 The activities listed in the above table will be executed by specialized consulting firms and individual consultants, selected through a competitive process. A project coordinator will be selected to run the administration and the procurement activities related to project execution. IFD/ICS will have the technical and administrative responsibility for the program, in coordination with CCB.

**Table IV. 2 Indicative Results Matrix**

Activities	Expected outputs	Expected Outcomes
Regional survey preparation design and execution.	Comprehensive review of current activities and data availability. Primary data collected and systematized.	Data for survey preparation and design is collected and analyzed, and survey design is completed. Survey is executed, and primary data is collected and classified.
Survey results analysis.	Basic data statistics generated based on the information collected.	Collected data are analyzed, and statistical information is generated.
Preparation of report.	Final report completed, including information on data analysis, survey results and policy recommendation.	Survey report is completed and recommendations are generated with base on the results.
Regional dissemination events.	2 regional events completed at finalization of the program.	Collected information and policy recommendations are disseminated. Policy recommendations are implemented. Business competitiveness increase in the region, based on World Economic Forum rankings.

- 4.3 The Project Coordinator will prepare a progress report on the implementation of the planned activities after 12 months of execution. The Project Coordinator will also set up and maintain a project dashboard to provide a tool for close supervision on the execution of the project.
- 4.4 **Supervision:** The sector specialists responsible for execution are: Inder Ruprah (CCB/CCB) and Arnaldo Posadas (IFD/ICS).

## **V. EXECUTING AGENCY AND EXECUTION STRUCTURE**

- 5.1 This TC will generate knowledge and dissemination products originated by the Inter-American Development Bank. Accordingly, the operation will be implemented by IFD/ICS, Institutional Capacity of the State Division of the IDB, with support from CCB/CCB. According to GN-2470-2 Bank executed TC, the Bank may take the initiative to execute TC in areas of its expertise provided that the beneficiary country or group of countries concurs. Being this a operation that

requires technical expertise, and given the large number of countries involved in the execution of the program, a decision has been made to centralize execution under the supervision of the Division of Institutional Capacity of the State IFD/ICS.

- 5.2 The project team will request and obtain the corresponding non-objections letters (expressing conformity with and support to the objectives of the TC) from the country's official counterpart before the initiation of any activity in the each country.
- 5.3 The TC will be executed in a period of 20 months, and disbursed in a period of 24 months. The IDB will conduct the procurement of consulting services required for the implementation of the TC, according to the Bank's policies and procedures. It is expected that a Technical Coordinator will be hired to provide assistance during the execution of the program.

## **VI. MAJOR ISSUES**

- 6.1 Main risks identified with the execution of this program: i) difficulties in the identification of an adequate sample of private sector stakeholders for the data collection on the impact of crime and violence on doing business and ii) Identification of private sector stakeholders with the capacity to take advantage and implement the suggested recommendations.
- 6.2 The risks mentioned above will be mitigated through the continuous interaction with the Compete Caribbean team based in Barbados that has a deep knowledge of the Caribbean context and can facilitate the efforts in reaching out to relevant public and private sector stakeholders. Moreover, the survey will leverage the existing efforts in reaching out to private sector companies (e.g. the Enterprise Survey).

## **VII. EXCEPTIONS TO BANK POLICY**

- 7.1 No exceptions to IDB established policies are considered under this program.

## **VIII. ENVIRONMENTAL AND SOCIAL STRATEGY**

- 8.1 There are no environmental or social risks linked to the activities of this operation. Because of the latter, its classification is "C", according to the Environment and Safeguard Compliance Policy (OP-703).