

MULTILATERAL INVESTMENT FUND

JAMAICA MIF Delegation of Authority to Country Offices Plan of Operations

1. GENERAL INFORMATION

A.	<i>Project Title</i>	Testing the viability of an innovative business training method for entrepreneurs in Jamaica
B.	<i>Project No. (TC#)</i>	JA-M1037
C.	<i>Executing Agency</i>	Jamaica Business Development Corporation (JBDC)
D.	<i>Target Beneficiaries</i>	1,050 informal micro entrepreneurs
E.	<i>Sources of Funding</i>	Total Cost: \$236,974 MIF Contribution: \$150,000 (63%) Counterpart Resources: \$86,974 (37%)
F.	<i>Objectives</i>	The outcome of this project is to test an innovative entrepreneurial training program for micro entrepreneurs using experimental methods. The impact objective is to contribute to generating empirical evidence on alternative, effective micro entrepreneur training programs so that public and private entities in the region, including MIF, have proven alternatives to non-effective traditional training programs.
G.	<i>Execution Timetable</i>	The project will be executed in 18 months The period for Disbursement will be 24 months

2. BACKGROUND AND JUSTIFICATION

It is well documented that the contribution of entrepreneurs (in MSMEs) is an important factor for productivity growth, and that the creation of new businesses can foster economic growth and spark innovation. Entrepreneurs not only raise productivity, but contribute to job creation; hence, their innovative behavior is an essential element to unravel the creative process, and is a key factor in economic progress.¹

When trying to understand the impediments to MSMEs' growth, "managerial capital" (or managerial talent)—which is distinct from human capital—is often left out. Managerial capital can directly affect the firm by improving strategic and operational decisions, but it also affects the

¹ Acemoglu, D. and J. Robinson (2012). *Why Nations Fail: The Origins of Power, Prosperity, and Poverty*. New York: Crown Publishers.

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productivity of other factors, such as physical capital and labor, by helping to use them more efficiently.²

Business training is a potential solution to increase “managerial capital” and public and private entities in the region, including MIF, have invested a significant amount of resources and subsidies on training programs aimed at improving entrepreneurs’ performance. In 2013, for example, 77% of MIF and counterpart financial support on core activities went to project components whose objective was to develop or adapt content (curricula development) and to transfer that content to different actors (training): entrepreneurs, youth, providers of services, users of services, farmers, etc. These components were distributed across all MIF topics. Some of these resources went to train entrepreneurs on how to better run their businesses, but the existing evidence shows that these training activities have not been, in general, as effective as expected.

The existing evidence suggests that these types of training leads to increases in business knowledge, but that the knowledge acquired does not lead to consistent improvements in business revenue, profits, or employment (McKenzie and Woodruff, 2012).³ There is some evidence that points to the use of different approaches to improve the effectiveness of these training programs [Drexler, Fischer, and Schoar (2010); and Glaub, Frese, Fischer, and Hoppe (2014)].⁴

This project is the result of a joint effort between IFD’s Competitiveness and Innovation Division, CCB’s Regional Research Economic Unit, and the MIF Office. IFD/CTI has created a regional program to strengthen the capacity of LAC institutions to design, implement, and evaluate existing and innovative entrepreneurship support services. The program will conduct diagnoses of existing services, and develop action plans for the implementation of reforms and innovations in the provision of entrepreneurship support services. Reformed and innovative services will be tested through the design, implementation, and evaluation of pilot projects, which will be used for replication and scaling-up of the highest quality and most cost-effective approaches to entrepreneurship support services.⁵

IDB has selected the Jamaica Business Development Corporation (JBDC), an active player in the provision of business support services in Jamaica, to participate in this regional program. As such, JBDC will adapt a new methodology to deliver entrepreneurship services, and collaborate in

² Bruhn, M., D. Karlan, and A. Schoar (2010). What Capital is Missing in developing Countries? American Economic Review: Papers & Proceedings: 629-633.

³ McKenzie, D., and C. Woodruff (2012). What are we Learning from Business training and Entrepreneurship Evaluations around the Developing world? Policy Research working paper 6202, The World Bank.

⁴ Drexler, A., G. Fischer, and A. Schoar (2014). Keeping it Simple: Financial Literacy and Rules of Thumb. American Economic Journal: applied Economics 6(2): 1-31.

Glaub, Frese, Fischer, and Hoppe (2014). Increasing Personal Initiative In small Business managers or Owners Leads to Entrepreneurial success: a theory-Based Controlled Randomized Field Intervention for Evidence-based management. Academy of management Learning and Education 3(3): 354-379.

⁵ RG-T2626 “Building Institutional Capacity in the area of entrepreneurship support services through pilot projects”

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rigorously testing the viability of the newly introduced service. JBDC will work in close cooperation with the IDB to ensure full ownership and long term sustainability of the services. MIF is partnering with JBDC to pilot the delivery of two types of training services, which are an essential component of the larger evaluation effort led by the IDB.

The pilot will focus on two different types of trainings and their combination (business practices and non-cognitive skills). It will help practitioners understand the importance of the “knowing-doing” gap⁶, and the need to overcome this barrier to generate the most impact on entrepreneurs’ success.

The main problem that we intend to address in this pilot is the knowledge gap regarding the use of effective, alternative approaches to traditional entrepreneurial training. With this project we intent to test an innovative entrepreneurial training program in the Jamaican context and to quantify its effectiveness using rigorous evaluation methods. The causes of the problem are:

- a) **Structure of traditional entrepreneurship programs:** these programs normally focus on increasing business knowledge in the abstract, without taking into account that there is a “knowing-doing” gap that entrepreneurs need to overcome. There may be many reasons why this gap exists: i) the knowledge imparted is too abstract to translate into concrete actions; ii) entrepreneurs may assume that their business situation is different and that their constraints are too unsurmountable to act according to some abstract business idea; or iii) they may be unable to adapt a concept to work well in their context.
- b) **Lack of knowledge about effective alternative training programs:** it is only recently that MIF started learning about the lack of effectiveness of traditional training programs, so even if there was a will to invest only in effective training programs, there is not enough evidence on what these effective, alternatives to traditional training programs are all about and how they work.

3. EXECUTING AGENCY AND BENEFICIARIES

The Jamaica Business Development Corporation (JBDC) is the leading business support organization in Jamaica. Over 2,000 businesses benefit from JBDC’s services every year. The extensive JBDC experience in this area is also clearly documented by the “MSME and Entrepreneurship Policy” (2013) recently developed by the Jamaican Ministry of Industry, Investment and Commerce. This document identifies JBDC as the leading agency in the areas of business practices diffusion and entrepreneurship skills in Jamaica. The JBDC team and Board are composed of experienced business people, and the team also includes over 30 knowledgeable advisers and consultants. Its goal is to help MSEs survive and grow by providing them with business advice, technical services and training. The

⁶ The challenge of turning knowledge about how to enhance organizational performance into actions consistent with that knowledge

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JBDC has previous experience working with the MIF, having successfully executed JA-M1003, which focused on strengthening micro-enterprises in the craft and agro-business sectors.

The IDB will work closely with the Statistical Institute of Jamaica (STATIN) to collect a survey of 5,000 informal micro entrepreneurs. The sample will be representative of the informal sector at the national level. Project beneficiaries will be selected from the pool of 5,000 who will be surveyed by CCB (some questions about traits and attitudes will be included in the CCB survey). JBDC will participate in the definition of the basic criteria for the selection (i.e., interest in participating, easy access to training center, and sharing similar characteristics with the group--in terms of sales, etc.). Beneficiaries will be divided in groups that will be randomly selected to receive a combination of trainings. These groups will receive the training using the "business practices" module (a traditional method based on cognitive skills), the "non-cognitive skills" module (an innovative method based on non-cognitive skills like personal initiative), and a combination of both. Another group will not receive training (the control group). The training model will be adapted to the Jamaican context, the types of businesses that will be targeted, education level of the trainees, and other peculiarities.

4. PROJECT OBJECTIVES AND DESCRIPTION

The outcome of this project is to test the effect of two types of training programs (traditional/cognitive and innovative/non-cognitive) for Jamaican micro entrepreneurs, using experimental methods. The impact objective is to contribute to generating empirical evidence on alternative, effective entrepreneurial training programs so that public and private entities in Jamaica, and the region, including MIF, have proven alternatives to non-effective traditional training programs.

The renewed and rigorously tested trainings in the area of both non-cognitive skills and business practices are expected to produce several outcomes at the final beneficiary level. In the short run, they will increase knowledge of key business skills and practices, and improve entrepreneurial attitudes and behaviors. In the medium to -long run they are expected to increase sales, employment, and profits.

The proposed intervention will allow unbundling the effects of entrepreneurship training programs by separating two potential outcomes: the acquisition of business knowledge (goal of the traditional entrepreneurship program), and an increase in personal initiative or an active approach toward entrepreneurial tasks (goal of alternative training program)—self-starting behavior, proactive and future-oriented behavior, and overcoming barriers (persistency) . By focusing on personal initiative, the alternative training seeks to close the "knowing-doing gap" by affecting the entrepreneur's actions (instead of knowledge). The alternative training program that will be utilized will focus on:

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a) ensuring that action principles are clearly understood; b) covering goals, information search, planning, and feedback; c) practicing “learning-by-doing” exercises; and, d) receiving feedback by the trainer, then by peers until self-feedback can take over.⁷

There will be three types of courses taught during a four-month period during project implementation. Course #1 on “business practices” and course #2 on “non-cognitive skills/personal initiative” will be two weeks long (2 five-hour sessions per week, totaling 20 hours). Course #3 will be a combination of both and will be four weeks long (2 five-hour sessions per week totaling 40 hours over 4 weeks). There will be two streams: stream 1 will be taught Monday to Tuesday, and stream 2 Wednesday to Thursday. Sixty-four sessions will be taught per month, for a total of 256 sessions to be delivered in 16 weeks (four months).

In addition to their local training team, JBDC works with an external pool of training experts or “Business Service Providers” who are hired as needed, and have been trained in JBDC’s entrepreneurial methodology. Courses will be taught by a total of six trainers per week: two JBDC staff for courses 1 and 2 (Mondays and Tuesdays), and 1 JBDC staff (Wednesday and Thursday); and, three Business Service Providers will be hired, one to deliver one of the courses on Wednesday and Thursday (concurrent session), and two to deliver course 3 that is four-weeks long.

The courses will be delivered concurrently in Kingston (JBDC Incubator and Resource Centre). Following is a training summary for 1050 trainees over 16 weeks:

Cohorts (Each cohort consists of 4 groups)	No. of trainees per cohort	Duration of Sessions	# of Streams	# Sessions per week
1	300	4 weeks	2	64
2	300	4 weeks	2	64
3	300	4 weeks	2	64
4	150	4 weeks	2	64
Total	1050	16	525	256

⁷ Glaub, M.E., Frese, M. (2013). Increasing Personal Initiative in Small Business Managers or Owners Leads to Entrepreneurial Success: A Theory-based Controlled randomized field intervention for evidence-based management

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The project will be divided in two components:

Component 1: Preparation of Entrepreneurial Courses (MIF US\$83,800, and JBDC/DBJ US\$15,230).

The objective of this component is to facilitate the logistical preparations to conduct a total of 256 training sessions in Kingston for a total of 1,050 micro entrepreneurs (selected from the 5,000 surveyed) during a four-month period. The main activities are: (i) hiring of Business Service Providers (external trainers associated to JBDC) to teach courses on business practices and non-cognitive skills/personal initiative; (ii) rental of venue in Kingston (location at Marcus Garvey Drive); (iii) production of material for training sessions, including toolkit, printed training material, pre and post evaluation forms, names tags, supplies, etc.; (iv) logistical arrangements for three JBDC staff who will be also conducting training sessions; and, (v) promotional advertising for the project (to be determined by impact evaluation design).

The expected results are: (i) 6 trainers either hired or assigned to deliver business practices and non-cognitive skills/personal initiative courses to targeted entrepreneurs (3 Business Service Providers and 3 JBDC staff); (ii) 1,050 copies of printed trained material for training sessions produced and distributed to trainees in due time; and, (iii) number of television and print promotional advertisements (the content, frequency, and target audience of this activity will be determined by the impact evaluation design).

Component 2: Delivery of Entrepreneurial Trainings (MIF US\$59,200 and JBDC/DBJ US\$71,744).

The objective of this component is to deliver the trainings to the targeted groups of entrepreneurs in the time allotted and within the planned schedule. JBDC's experience in entrepreneurial training is fundamental in the design of the training sessions, not only to take into consideration the preferred days, times, etc., that local entrepreneurs favor, but other incentives that are culturally valued such as in-workshop sessions meals for participants. The main activities are: (i) delivery of training sessions (business practices, non-cognitive skills/personal initiative, and a combination of both) by specialized trainers (JBDC and BSPs); (ii) training coordination of 256 sessions; and, (iii) provision of in-workshop sessions meals for all participants.

The expected results are: (i) number of training sessions delivered to targeted entrepreneurs (business practices, non-cognitive skills/personal initiative, and a combination of both) within schedule. Target: 256; (ii) number of entrepreneurs reached and invited to training sessions through advertising/communications campaign.

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5. SUMMARY BUDGET OR PROJECT FINANCING

The cost of the proposed project is presented in the following summary table:

Cost Elements	MIF	Counterpart JBDC	Counterpart DBJ	Total
Component I	83,800	574	14,656	99,030
Component II	59,200	26,400	45,344	130,944
Ex post reviews	7,000			7,000
Total	150,000	26,974	60,000	236,974

All figures expressed in US\$

5.1. Sources of Funding: Besides from JBDC's counterpart resources, the Development Bank of Jamaica has agreed to provide US\$60,000 towards this initiative.

6. MECHANISMS FOR PROJECT EXECUTION

6.1 Execution and Disbursement Periods. 18 months for execution and 24 for disbursements.

6.2 Results-based disbursements: Project disbursements will be contingent upon verification of the achievement of milestones. These milestones will be verified using their means of verification, which will be agreed upon between the Executing Agency and the MIF. Achievement of milestones does not exempt the Executing Agency from the responsibility of reaching the logical framework indicators and project's objectives.

6.3 Procurement: For the procurement of goods and contracting of consulting services, the Executing Agency will apply the IDB Policies (GN-2349-9 y GN-2350-9). Given that the Diagnostic of Executing Agency Needs (DNA), link: <http://mif.iadb.org/projects/prjrissummary?proj=JA-M1037> generated a low level of need/risk classification, the review of procurement and contracting processes for the project will be conducted ex-post and on an annual basis. Before project contracting and procurement begins, the Executing Agency must submit the project Procurement Plan (condition prior) for the IDB/MIFs approval which should be updated semi-annually and when there are changes in the methods or goods or services to be procured.

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7. MONITORING AND EVALUATION

7.1 Project Status Reports: The Executing Agency will be responsible for presenting Project Status Reports (PSRs) to the MIF within thirty (30) days after the end of each semester, or more frequently as determined by the MIF by providing at least sixty (60) days advance notice to the Executing Agency. The PSR will contain information on the progress of project execution, achievement of milestones, and completion of project objectives as stated in the logical framework and other operational planning tools. The PSR will also describe issues encountered during execution and outline possible solutions. Within ninety (90) days after the end of the execution term, the Executing Agency will submit to the MIF a Final Project Status Report (Final PSR) which will highlight results achieved, project sustainability, evaluation findings, and lessons learned.

7.2 Evaluation: The result of this project will be an impact evaluation with rigorous methods that will be disseminated among internal and external stakeholders. Preliminary results will be most likely disseminated at FOROMIC in Jamaica, to be held in October, 2016.

7.3 Financial Management: The Executing Agency will establish and will be responsible for maintaining adequate accounts of its finances, internal controls, and project files according to the financial management policy of the IDB/MIF. Given that the Diagnostic of Executing Agency Needs (DNA), link: <http://mif.iadb.org/projects/prjrissummary?proj=JA-M1037> generated a low level of need/risk in financial management, the review of supporting documentation for disbursements will be conducted ex-post and on an annual basis.

The IDB/MIF will contract independent auditors to carry out the ex-post reviews of procurement processes and of supporting documentation for disbursements. Ex post reviews will include an analysis of the Financial Statements that the EA should prepare annually as part of its financial management. The costs associated with this contract will be financed with the MIF contribution resources according to IDB procedures.

During project execution, the frequency of ex post reviews for procurement processes and supporting documentation for disbursements as well as the need for additional financial reports can be modified by the MIF based on the results of the ex post review reports conducted by external auditors during the project execution.

8. KNOWLEDGE-SHARING AND DISSEMINATION STRATEGY

The evidence gathered from a randomized controlled field intervention with 100 small business owners in Africa (Kampala, Uganda) is that the training led to an entrepreneurial mind-set and to an active approach toward entrepreneurial tasks (Glaub, Frese, 2013). However, as mentioned before, the sample was too small to draw conclusions that could be transferable to other contexts. Nevertheless, the approach and the methodology used in Africa will be utilized in Jamaica, given that it is based on evidence-based management principles, which can be adjusted to the specifics of the situation.

McKenzie and Woodruff (2012), for example, synthesize the findings of 20 impact evaluations of programs focused on enterprise management (rather than on technical or vocational training).⁸ They find that most studies are able to measure the adoption of at least some best practices taught during training (a first link in the causal chain to increases in business profitability and growth) but that “the magnitudes of these improvements in practices are often relatively modest.” Consequently “few studies find significant impacts on profits or sales, although a couple of the studies with more statistical power have done so.” They also point out to the elements that need to be taken into account when designing the next generation of studies and some of the open questions that still need answers, among them: Who benefits most from training or which types of training are most suitable for which types of firms? What is the mechanism by which training helps firms? Via the use of the same inputs more efficiently or via taking customers away from other firms? How attitudes and personality traits from business owners affect outcomes?

This intervention will complement a MIF-wide knowledge gap on the type of training products that MIF should sponsor and replicate to maximize the impact of its entrepreneurship programs in the LAC region. Likewise, other organizations with similar mandates and interests, including MIF partners (public and private) will certainly benefit from the adoption of training best practices.

Some key evaluation questions are: to what extent do behavioral attitudes related to being an innovative entrepreneur can actually be taught? Can behavioral skills of entrepreneurs be modified? What is the most effective training approach to ensure entrepreneurial success?

This experiment will be the first of its kind in the Caribbean region. It will test the value of two different types of trainings and their combination. No other study has yet disentangled the effects of their different components (non-cognitive/personal initiative, and business practices). As such, this intervention will contribute to generate evidence on the significance of modeling entrepreneurial attitudes. It will also help practitioners understand the effect of tailoring

⁸ McKenzie & Woodruff (2012), “What Are We Learning from Business Training and Entrepreneurship Evaluations around the Developing World?” Policy Research Working Paper No. 6202, World Bank.

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entrepreneurial trainings to focus either on entrepreneurial attitudes or both in order to generate the most impact. There is also great potential in adapting this training to different sectors and contexts.

JBDC is a key stakeholder in the country, as it cooperates with government agencies, as well as with private sector associations, academic and research communities. In that regard, by implementing this intervention JBDC is in the best position to transfer its learning to other organizations within its reach, and to use the evidence to influence public policy. Likewise, given the proximity of the other Caribbean countries, this approach will certainly be easier to adapt and expand in other contexts to increase scale.

9. APPROVAL

This project is recommended and approved for financing under the MIF Program of Delegation of Authority (MIF/GN-62-7).

Recommended By: 
Dora Moscoso
MIF Design Team Leader

Date: 16 Nov 2015

Approved By: _____
Therese Turner-Jones
IDB Representative (CJA)

Date: _____

Annexes:

Annex I- Logical Framework

Annex II- Detailed Project Budget and Timetable