**TC ABSTRACT**

**I. Basic Project Data**

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| ▪ Country/Region: | REGIONAL/CID - Isthmus & DR |
| ▪ TC Name: | Consolidation of the Small Business Development Centers Network of the Americas in Central America and the Dominican Republic |
| ▪ TC Number: | RG-T3256 |
| ▪ Team Leader/Members: | AREVALO, GREGORIO (IFD/CTI) Team Leader; HENNESSEY, MICHAEL P. (IFD/CTI); SOLIS AHUMADA, GALILEO HUMBERTO (IFD/CTI); TORRICO DURAN, BLANCA PAOLA (IFD/CTI); GONZALEZ ALZUALDE, YOHANA BEATRIZ (IFD/CTI); PARRAGUEZ JARA, ROSITA MARISELA (IFD/CTI); GRAZZI, MATTEO (IFD/CTI) |
| ▪ Taxonomy: | Client Support |
| ▪ Number and name of operation supported by the TC: | N/A |
| ▪ Date of TC Abstract: | 17 Apr 2018 |
| ▪ Beneficiary: | Costa Rica, El Salvador, Guatemala, Honduras and Dominican Republic |
| ▪ Executing Agency: | INTER-AMERICAN DEVELOPMENT BANK |
| ▪ IDB funding requested: | $ 450,000.00 |
| ▪ Local counterpart funding: | $ 0.00 |
| ▪ Disbursement period: | 36 months |
| ▪ Types of consultants: | Individuals; Firms |
| ▪ Prepared by Unit: | Competitiveness & Innovation |
| ▪ 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 ; Economic integration |

**II. Objective and Justification**

2.1 The main goal of this TC is to promote growth, innovation, productivity, diversification and competitiveness of small businesses in Central America and Dominican Republic. The specific goal is to improve the quality and impact of the Small Business Development Centers network in Central America and Dominican Republic, and strengthen small businesses in the region, helping them attain better access to capital, technology, and markets.

2.2 According to studies conducted by the Inter-American Development Bank in 2013 and 2014, in Latin America, public policies on innovation and technology "have often focused their efforts on promoting investment in research and development and have provided less attention and resources to programs aimed at disseminating and assimilating technology in small and medium-sized companies" . In this context, it is necessary to make available to SMEs in Latin America public policy instruments that take into consideration the characteristics of the business structure of the region and define relevant interventions in technological advice and innovation for different types of businesses. Since 2003, and with the support of the US government and various regional agencies, the University of Texas at San Antonio (UTSA) hosted one of the most successful Small Business Development Centers (SBDC) programs in the United States, and has been the leading institution in promoting and expanding the SBDC model throughout Latin America. The SBDCs are the main source of technical and managerial assistance for small businesses in the United States, and their mission is to promote growth, innovation, productivity, and revenue for small businesses through improvements in their business practices, technology, and management practices. The SBDC is a collaborative effort between the public, academic, and private sectors, with the support of the US federal, state, and local government agencies, which jointly invest in efforts to guarantee the sustainability of the program and maximize its efficiency. In 2015, the national network of SBDCs in the US assisted business clients to create more than 98,660 jobs, open 17,207 new businesses, generate U$7.1 billion in new sales, and secure U$4.7 billion in new financing. As a result, the national SBDC network generated fiscal revenues of more than U$615 million, yielding a return of U$2.79 per dollar invested in the program. Similarly, the SBDC model in the US includes the Women Business Development Centers (WBDCs), which are a nationally recognized leader in promoting women’s economic development. These centers provide services and programs to support and accelerate women’s business ownership and strengthen the impact of women in the economy by creating jobs, fueling economic growth, and building stronger communities. Because their goals are not defined by the number of firms supported but by the incremental growth in sales and employment of those small businesses, the SBDC program focuses on supporting formal firms with high growth potential. Since SMEs are disproportionately affected by market failures related to lack of information about optimal business practices, technology, market strategy, access to finance, etc., their performance can be substantially improved through direct interventions, such as the SBDC program, that help these firms overcome those market failures. The potential impact on growth for this important segment of firms is clearly illustrated in the case of Chile, where 50 new centers were implemented in 2015-16. These centers managed to generate, up until the end of 2017, an increase in sales of the companies served by more than US$44 million, 3,180 new formal jobs, and a ratio of US$2.2 of incremental sales for every dollar of public resources invested. (For more detail please review the document attached to this TC).

**III. Description of Activities and Outputs**

3.1 The activities to be financed by this TC will be directed to providing expert guidance for each country on improving their SBDC model, developing better SBDC accreditation standards, reinforcing the Central American and Dominican Republic SBDC network and promote its further internationalization. Additionally, the activities will incorporate a strategy to reinforce gender inclusion, increased access to finance by SMEs and their digitalization, as part of the services offered by these centers. The components and outputs to be financed by this TC, and a further description of the activities under each one, are described in the sections below.

3.2 **Component I: Component 1: Evaluation of service quality, demand and relevance of the SCBDs in Central America and Dominican Republic.** This component will finance evaluations of SBDCs networks in the five countries to assess their performance in terms of quality and relevance of services provided to businesses, the regional network of SBDCs, and the capacity of country SBDCs to participate in this network. It will also include proposals to improve the network and systematize best practices and lessons learned and finance a demand study to identify ways to improve the relevance of services provided by the SBDCs in each country.

3.3 **Component II: Component 2: Strengthening the Central American and Dominican Republic SBDC Network and its internationalization.** This component will finance the implementation of the improvement plan for the SBDC Central American and Dominican Republic network resulting from the first component, including in the areas of gender, access to finance and digitalization of firms, and to improve the SBDC model implementation where weaknesses are identified. This will include improving the interaction within the network and with other networks in Latin America.

3.4 **Component III: Component 3: Communication and Dissemination Strategy.** This component will finance the design and development of a communication and dissemination strategy for the centers, based on the evaluation and demand studies developed by Component 1. This strategy would also include the development of events and materials that help in the diffusion, dissemination and awareness about the services and benefits provided by these centers, both at the central and local government levels.

**IV. Budget**

**Indicative Budget**

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| **Activity/Component** | **IDB/Fund Funding** | **Counterpart Funding** | **Total Funding** |
| Component 1: Evaluation of service quality, demand and relevance of the SCBDs in Central America and Dominican Republic | $ 100,000.00 | $ 20,000.00 | $ 120,000.00 |
| Component 2: Strengthening the Central American and Dominican Republic SBDC Network and its internationalization | $ 260,000.00 | $ 20,000.00 | $ 280,000.00 |
| Component 3: Communication and Dissemination Strategy | $ 90,000.00 | $ 10,000.00 | $ 100,000.00 |

**V. Executing Agency and Execution Structure**

5.1 Due to the regional nature of this TC and given the Bank’s expertise in the implementation of innovation and competitiveness programs in the Central American and Dominican Republic region, it is envisaged that the Bank will execute this TC.

5.2 At the request of the public agencies in charge of the SBDCs in the beneficiary countries of this TC, the Bank will be the executing agency of this technical cooperation, because of its experience in the implementation of competitiveness and innovation programs in the countries of the region, and in the identification of the consultants and institutions that can guarantee the quality of the products to be contracted for the development of this project. Additionally, to ensure the active participation of public agencies that are already part of the SBDCs in the beneficiary countries, each beneficiary country will appoint a counterpart that will actively participate in the execution process to be led by the Bank.

**VI. Project Risks and Issues**

6.1 The execution of this TC will depend on the support that the SBDCs and the institutions related to the Central American and Dominican Republic SBDC network in each country will provide to the gathering of data for the evaluation, the actions required for the delivery of results, and the implementation of the plan to strengthen the SBDC. Therefore, there is a risk of insufficient coordination between the different national SBDCs, the relevant SME support institutions in the countries, and the SBDC network. To mitigate this risk, the TC will incorporate the SBDCs and relevant country SME support institutions in activities to ensure proper consultations and socialize the findings of the evaluations.

**VII. Environmental and Social Classification**

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