

TC ABSTRACT

I. Basic Project Data

▪ Country/Region:	TRINIDAD AND TOBAGO/CCB - Caribbean Group
▪ TC Name:	Promoting Business Productivity and Economic Diversification for Recovery
▪ TC Number:	TT-T1119
▪ Team Leader/Members:	GRANT, KAYLA SHAREE (IFD/CTI) Team Leader; ACEVEDO VILLALOBOS, MARIA CECILIA; GONZALEZ VELOSA, CAROLINA (SCL/LMK); PELAEZ ZAMBRANO, PAULA; SIERRA LIRANZO, MAYRETT (IFD/CTI); BRATHWAITE, NEECA N. (CCB/CTT); DOHNERT DE LASCURAIN, SYLVIA EVA (IFD/CTI); CENTENO LAPPAS, MONICA CLARA ANGELICA (LEG/SGO); STEVENSON, CLAUDIA (IFD/CTI); VALENCIA JARAMILLO, ADRIANA MARIA; DOOKIESINGH, VASHTIE K.
▪ Taxonomy:	Client Support
▪ Number and name of operation supported by the TC:	N/A
▪ Date of TC Abstract:	03 Oct 2022
▪ Beneficiary:	Trinidad and Tobago
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK
▪ IDB funding requested:	US\$250,000.00
▪ Local counterpart funding:	US\$0.00
▪ Disbursement period:	24 months
▪ Types of consultants:	Individuals; Firms
▪ Prepared by Unit:	IFD/CTI - Competitiveness, Technology and Innovation Division
▪ Unit of Disbursement Responsibility:	CCB/CTT - Ctry Off Trinidad & Tobago
▪ TC included in Country Strategy (y/n):	Yes
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Productivity and innovation ; Institutional capacity and rule of law; Gender equality

II. Objective and Justification

- 2.1 To support the institutional strengthening of the Government of the Republic of Trinidad and Tobago to increase private sector innovation that focuses on digital technologies and advanced digital skills to improve business productivity and economic diversification.
- 2.2 In response to the pandemic, the Government of the Republic of Trinidad and Tobago (GORTT) presented its Roadmap to Recovery. It pointed to the need for promoting agriculture, non-energy exports, green manufacturing, renewable energy and energy services. Since the pandemic, access to digital payments has risen to the second highest ranking obstacle facing firms in the Caribbean (a shift from 1% to 14% in 2020). The Digital Adoption Index score for businesses in Trinidad and Tobago was 64% in 2016 (Barbados' score was 83%). 52% of firms in Trinidad and Tobago report having heard of digital tools but do not use them. 46% of firms in Trinidad and Tobago report not using digital tools for knowledge reasons (i.e. they do not know how to use them).
- 2.3 Research finds a positive relationship between digital adoption and productivity. Yet the productivity gap between SMEs and large firms is the second largest in the

Caribbean. The Innovation, Firm Performance, and Gender (IFPG) survey found that only 23% of firms in Trinidad and Tobago (compared to 42% in Suriname) report undertaking innovation activities, a key variable for productivity. This stagnation speaks to the need for creating a more enabling innovation ecosystem for driving productivity growth.

- 2.4 Evidence shows that good business environments have been found to stimulate investment in innovation yet the speed and complexity of emerging technologies requires a more agile approach to regulation. Economic growth has been stagnating over the last decade, signaling the need for structural reforms that drive sustainable growth through economic diversification and productivity enhancing activities. Equipping policymakers with a toolkit for agile regulation will encourage design that is more resilient to future change, can mitigate investment risk, and stimulate new ideas to address pressing societal and environmental challenges.
- 2.5 This proposal will support agile regulatory design and piloting of efforts that will accelerate the use of digital technology within firms whilst pushing the supply of advanced digital skills. Efforts include a digital bootcamp to train digital champions to drive new policies and programs that support the private sector in adopting digital technology. Efforts also include piloting a mission oriented digital innovation incubator (MODII) that will promote digital solutions to government prioritized challenges.
- 2.6 This TC is consistent with the Second Update to the Institutional Strategy (AB-3190-2) as it is strategically aligned with the development challenge of productivity and innovation, specifically addressing the special needs of small and vulnerable countries in fostering development through the private sector. It is aligned with the cross-cutting issue of institutional capacity and the rule of law, specifically through institutional strengthening toward facilitating a strong business climate. This program is aligned with the 2021-2025 Country Strategy for TT (GN-2888) as it aims to support the digital transformation agenda to achieve more sustainable and inclusive growth by way of supporting a digital friendly business environment for the private sector to operate in. The TC contributes to the achievement of the promotion of technology adoption and innovation as a means of tackling the region's challenges, reduce digital gaps, nurture innovation, strengthen skills development and foster technology transfer.

III. Description of Activities and Outputs

- 3.1 **Component I: Promoting Twin Transitions in Value Chains.** This component will finance: (i) a value chain analysis of three prioritized sectors (i.e. agriculture, fisheries/blue economy, and the orange economy) to assess the gaps in the ecosystem for supporting economic diversification and productivity, especially as it relates to digital and green technological adoption; and (ii) a digital bootcamp to train digital champions in the areas recommended by the outputs of the study.
- 3.2 **Component II: Mission Oriented Digital Innovation Incubator (MODII).** This component will build institutional capacity for implementing mission oriented digital innovation incubators that address prioritized challenges. This component will finance: (i) mapping and design of an intervention for strengthening incubators and accelerators to meet the needs of firms, especially high-tech firms and women-owned firms; and (ii) the piloting of a MODII.
- 3.3 **Component III: MSME Digital Adoption and Agile Reform to Stimulate Productivity and Economic Diversification.** This component will finance: (i) regulatory gap analysis for supporting innovation, productivity, digital adoption and economic diversification; (ii) a policy toolkit for promoting agile reform; (iii) a private sector donor matrix; (iv) an MSME digital tour focused on digital adoption; (v) communication materials and validation workshops; and (vi) the design of at least one

regulation to support an enabling environment for the private sector's digital transformation.

IV. Budget

Indicative Budget

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
Promoting Twin Transitions in Value Chains	US\$80,000.00	US\$0.00	US\$80,000.00
Mission Oriented Digital Innovation Incubator (MODII)	US\$70,000.00	US\$0.00	US\$70,000.00
MSME Digital Adoption and Agile Reform to Stimulate Productivity and Economic Diversification	US\$100,000.00	US\$0.00	US\$100,000.00
Total	US\$250,000.00	US\$0.00	US\$250,000.00

V. Executing Agency and Execution Structure

- 5.1 This TC will be executed by the Bank through the Competitiveness and Innovation Division (IFD/CTI). The execution period will be 24 months and the unit of disbursement responsibility will be Institutions for Development (IFD). IFD/CTI will have overall responsibility for the direction, supervision, coordination, and evaluation of this TC.
- 5.2 Following the Procedures for the Processing of Technical Cooperation Operations and Related Matters (OP-619-4; Annex II-2.2), this execution is justified by: (i) the need to have an administration that brings international expertise in an effective and timely manner; and (ii) support in the technical specialized experience of the Bank in designing and developing cutting edge tools and programs as those proposed in this TC.

VI. Project Risks and Issues

- 6.1 There are several risks surrounded technological adoption within the private sector. As such, the proposed instruments will draw on technical expertise and lessons learned from other programs implemented in LAC and globally, to design mechanisms that take into consideration such risks that will be expounded on in the TC document. The major foreseen risk is the onboarding of key government agencies to develop their capacities for supporting an enabling regulatory environment for the private sector to deploy and build digital business models. The project team intends to have a local consultant which will help to build a close working relationship with stakeholders, especially the Ministry of Digital Transformation, to encourage ownership and collaboration.

VII. Environmental and Social Classification

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