

Technical Cooperation

I. Basic Information for TC

• Country/Region :	REGIONAL/IDB
• TC Name :	Compete Caribbean: Promoting Technological Extension Services in the Caribbean – Phase I
• TC Number :	RG-T2992
• Team Leader/Members :	Hennessey, Michael P. - Team Leader Grant, Kayla Sharee - Operational Analyst Casaburi, Gabriel - Team Member Suaznabar, Claudia - Team Member Gonzalez Herrera, Beatriz Maria - Project Assistant Pereira, Stefano - Project Assistant Cox, Shameka Tameisha - Project Assistant Hennig, Betina Tirelli - Attorney Lutz, Liza M. - Team Member Pilgrim, Valarie - Team Member Stevenson, Claudia - Team Member Dohnert De Lascrain, Sylvia Eva - Team Member
• Indicate if : Operational Support, Client Support, or Research & Dissemination :	Research and Dissemination
• Date of TC Abstract Authorization:	02 May 2017
• Beneficiary:	Compete Caribbean Partnership Facility beneficiary countries (See GN-2851)
• Executing Agency and contact name:	US-IDB - Claudia Stevenson
▪ Donors providing funding :	CCP - Compete Caribbean Partnership Facility
• IDB Funding Requested :	\$ 150,000.00
• Local counterpart funding, if any :	\$ 0.00
• Disbursement period :	18 months
• Required start date :	May 15, 2017
• Types of consultants :	Individuals
• Prepared by Unit :	Competitiveness & Innovation
• Unit of Disbursement Responsibility :	INSTITUTIONS FOR DEVELOPMENT
• Included in Country Strategy (y/n) :	No
• TC included in CPD(y / n) :	No
• Alignment to the Update to the Institutional Strategy 2010-2020:	Productivity and innovation Economic integration

II. Objective and Justification of the TC

- 2.1 The majority of Caribbean firms are micro, small and medium enterprises (SMEs) that face market failures such as lack of access to capital, difficulty in integrating into global supply chains, lack of knowledge about industry best practices, latency in adopting new technologies, and a dearth of market-based advisory services (Andes, Ezell, and Leal, 2013). A concerted focus on improving SME productivity and their access to global export markets has the potential to produce enough critical mass to shift long run economic growth prospects of the Caribbean region and to close productivity gaps with advanced economies.
- 2.2 Technological Extension Services (TES) can address the aforementioned market failures and improve SME productivity by providing enterprises with services customized to their specific needs. TES usually includes services such as information provision, benchmarking and assessment, technical assistance, training, group or network services, collaborative projects (e.g., R&D, implementation), strategy development, mentoring and applied research. Technological extension services have the added advantage of being simpler to implement (i.e. requiring less institutional capacity) and less expensive than other innovation inducing mechanisms. Furthermore, it fosters firms' ability to absorb technology and/or incorporate innovations already existing in other countries. Firm use of

more advanced technologies and innovations can support climate change adaptation and/or mitigation efforts. TES, also known as manufacturing extension services or technological innovation services, has proven effective in economies such as the United States, Canada, and the UK and is being established in neighboring countries, such as Chile, Costa Rica, and the Dominican Republic (Groote, R. 2016; Casaburi, Suaznabar, and Llisterri, 2016).

- 2.3 TES can help to bridge the gap and raise priority to SME productivity and innovation policy but there is a need to understand the supply and demand of TES in the Caribbean. The Productivity, Technology and Innovation (PROTEqIN) firm level surveys reveal, for instance, firms' desire for business support services, especially technology support services (29.2% of the total firms surveyed). The demand is there to close the technology (inputs) and management gaps (improved productivity through improved practices). A key area for concern is the gender disaggregation of that demand. Firm level surveys, which exclude the agricultural sector, point to women's low tendency for participating in public support programs and taking out credit. Furthermore, women led firms face higher barriers than other firms, the top three barriers being an educated workforce, access to finance, and cost of finance (Moore, Presbitero, and Rabellotti, 2017). Low technology adoption rates are common, for instance, amongst female farmers worldwide due to lack of knowledge, lack of access to markets, credit constraints, uninsured risks, and problems of coordination with neighbors (World Bank, 2008; Udry, 2010; Barrett, Carter & Timmer, 2010; Jack, 2013). In the Caribbean, little data exists to support the prior claim and more data understanding the firm level needs as it relates to TES is essential.
- 2.4 A sweeping overview of the landscape reveals that most extension services in the Caribbean are highly concentrated in the agricultural sector. In Belize, for example, the Central Farm conducts varietal and adaptation trials as it relates to improving farming techniques. At the regional level, the Caribbean Agricultural Research and Development Institute (CARDI) conducts research (Global Forum for Rural Advisory Services, 2017). Despite the prior national and regional initiatives, TES has been limited in the breadth and depth of services provided.
- 2.5 This TC seeks to fill the knowledge gap and raise awareness of TES as an instrument for SME productivity and innovation policy including its ability for stimulating promotion of cross-cutting issues such as gender and climate change. The TC will assess the supply and demand of TES, engaging in dialogue with the countries benefitted by the Compete Caribbean Partnership Facility, on the potential for TES. Additional issues that the TC will look at are: 1) opportunities for TES in the services industry where little innovation has occurred 2) potential prospects for utilizing TES to promote climate change adaptation and/or mitigation amongst firms and 3) specific ways to provide TES to women led businesses, who exhibit productivity gaps vis a vis male led firms (Moore, Presbitero and Rabellotti 2017).
- 2.6 Ultimately, the objective of this TC is to exchange knowledge and best practices on implementing cost-effective TES that are adapted to the Caribbean context and that support SME productivity and growth prospects in the Caribbean, including that of women led firms, through the acquisition of existing technology and innovations, especially technologies that focus on addressing climate change. This TC's value added will be in its concerted effort to (i) develop new knowledge on the landscape of TES in the Caribbean and (ii) promote the exchange of experiences in policies and best practices leading to the exchange of innovative ideas and stimulating potential collaborative action between countries as it relates to TES provision.
- 2.7 *Synergies with Regional Priorities* – The CARICOM's Regional Policy Framework for Science Technology and Innovation (STI) focuses on nine areas for intervention, including innovation and entrepreneurship, standardization, research and

development, and intellectual property rights. The aforementioned areas are key elements of technology extension services provided to small and medium sized firms seeking to utilize technology and *quality enhancing methods for improving their productivity and growth prospects*.

- 2.8 *Institutional Strategy 2010-2020*: This TC is consistent with the Update to the Institutional Strategy (UIS) 2010-2020 (AB-3008) as it is strategically aligned with the development challenges of: (i) productivity and innovation; and (ii) economic integration and specifically addressing the special needs of small and vulnerable countries and fostering development through the private sector. The program is aligned with the priorities defined in the Innovation, Science and Technology Sector Framework Document (GN-2791-3). The project is also aligned with the priorities of the “Proposal for the Establishment of the Compete Caribbean Partnership Facility” (GN-2851).

III. Description of activities/components and budget

- 3.1 **Component 1: Technological Extension Services Diagnostic and Knowledge Sharing (US\$150,000)**. This component will finance: i) A consultancy to assess the types of technological extension services currently being supplied in the region, the challenges in implementing TES (i.e. resources, human capital, institutional arrangements), and firm level demand for TES with a special focus on the unmet needs and challenges of women led firms that could be addressed through TES offerings. The assessment will also include an analysis of prospects for utilizing TES to address climate change adaptation and/or mitigation objectives in the region. The regional assessment will include primary data collected from the following four countries, selected based on geographical and past TES implementation experience: Barbados, Belize, Jamaica, and St. Lucia. ii) A policy dialogue that will gather high level policymakers from each of the Compete Caribbean beneficiary countries (see GN-2851 for list) to share the findings and recommendations for rolling out TES in the Caribbean. The dialogue will be moderated by expert facilitators to encourage the exchange of knowledge and best practices between LAC countries. Countries that desire to receive additional technical support to design TES in their respective country will be encouraged to submit letters of interest. The requested technical support will be provided under a Phase II of this TC. (iii) A consultancy to develop and implement an engaging stakeholder communication strategy that uses various communication tools to disseminate knowledge on promoting the benefits and potential of TES for achieving development goals, specifically that of improving the productivity and innovation of the Caribbean SMEs.

Indicative Budget (in US\$)

Activity/Component	Description	IDB/Fund Funding	Counterpart Funding	Total Funding
Component 1: Technological Extension Services Diagnostic	Funding for knowledge generation and dissemination.	\$ 150,000.00	\$ 0.00	\$ 150,000.00

IV. Executing agency and execution structure

- 4.1 The execution of this TC will be carried out by the Bank through the Competitiveness and Innovation Division (IFD/CTI) in coordination with the Facility Coordination Unit (FCU) of the Compete Caribbean Partnership Facility based in Barbados.
- 4.2 Project output indicators will be monitored following the Monitoring and Evaluation (M&E) framework of the Compete Caribbean Partnership Facility.

- 4.3 As the bulk of the proposed financing is directed toward activities that will provide common benefits to all the CARICOM countries, including both IDB members and non-members, in such a way that there is little or no marginal cost attributable to the participation of IDB non-members. That portion of the proposed financing that could arguably be said to be directed exclusively to non-IDB member countries represents a de minimis amount of the total financing, approximately 6.5% of total project funds (US\$9,730).
- 4.4 The Compete Caribbean Partnership Facility (CCPF), approved under GN-2851, was jointly designed with donors to be a Bank Executed Program. Given the expertise and experience already in place by the execution of the first phase of the Compete Caribbean Program, the CCPF's Facility Coordination Unit (FCU) will build on the unit already established in COF Barbados. Additionally, the CTI team, through its research and management of past consultancies aimed at implementing TES in Latin America, has a strong knowledge of TES strategy design and implementation. The Bank has demonstrated its ability to coordinate and motivate action across diverse stakeholders at both the national and regional levels.

V. Major Issues

- 5.1 Given the limited knowledge, development and experience in the region related to TES, a key risk includes identifying stakeholders interested in and capable of supporting future TES projects thereby constituting a consequent risk of low level of participations by key stakeholders. To mitigate the prior risks, the project team will work closely with Country Offices to develop and maintain an active dialogue with government leaders. Preliminary findings will be disseminated in order to present a compelling case for stakeholders to attend the meeting.

VI. Environmental and Social Strategy

- 6.1 Given the nature of the program, there are no associated environmental or social risks. Based on the Environment and Safeguards Compliance Policy (OP-703) this operation is classified as "C" (See [Safeguards Policy Filter Report](#) and the [Screening Form](#)).

REQUIRED ANNEXES:

- Annex I: [Results Matrix](#)
- Annex II: [Terms of Reference](#)
- Annex III: [Procurement Plan](#)

COMPETE CARIBBEAN: PROMOTING TECHNOLOGICAL EXTENSION SERVICES IN THE CARIBBEAN – PHASE I

RG-T2992

CERTIFICATION

I hereby certify that this operation was approved for financing under the **Compete Caribbean Partnership Facility (CCP)** through a communication dated May 2, 2017 and signed by Goro Mutsuura (ORP/GCM). Also, I certify that resources from said fund are available for up to **US\$150,000** in order to finance the activities described and budgeted in this document. This certification reserves resource for the referenced project for a period of four (4) calendar months counted from the date of eligibility from the funding source. If the project is not approved by the IDB within that period, the reserve of resources will be cancelled, except in the case a new certification is granted. The commitment and disbursement of these resources shall be made only by the Bank in US dollars. The same currency shall be used to stipulate the remuneration and payments to consultants, except in the case of local consultants working in their own borrowing member country who shall have their remuneration defined and paid in the currency of such country. No resources of the Fund shall be made available to cover amounts greater than the amount certified herein above for the implementation of this operation. Amounts greater than the certified amount may arise from commitments on contracts denominated in a currency other than the Fund currency, resulting in currency exchange rate differences, represent a risk that will not be absorbed by the Fund.

Original Signed

Sonia M. Rivera

Chief

Grants and Co-Financing Management Unit

ORP/GCM

5/18/2017

Date

Approved:

Original Signed

Claudia Stevenson

Acting Division Chief

Competitiveness and Innovation Division

IFD/CTI

5/18/2017

Date