

Technical Cooperation Document

I. BASIC INFORMATION

▪ Country/Region:	Jamaica
▪ TC Name:	Building institutional capacity in the area of entrepreneurship support services
▪ TC Number:	JA-T1132
▪ Team Leader/Members:	Matteo Grazzi (IFD/CTI) Team Leader; Alessandro Maffioli (IIC/DVF); Diether Beuermann (CCB/CCB); Escarlata Baza (LEG/SGO); and Mariela Rizo (IFD/CTI)
▪ Taxonomy:	Research and Dissemination
▪ Date of TC Abstract authorization:	March 21 st , 2016
▪ Beneficiary:	Jamaica
▪ Executing Agency and contact name:	Inter-American Development Bank, through the Competitiveness and Innovation Division (IFD/CTI)
▪ Donors providing funding:	Special Program for Institutional Development (SPID)
▪ IDB Funding Requested:	US\$200,000
▪ Execution Period:	36 months
▪ Disbursement Period:	42 months
▪ Required start date:	September 1 st , 2016
▪ Types of consultants (firm or individual consultants):	Individual consultants and firms
▪ Prepared by Unit:	Competitiveness and Innovation Division (IFD/CTI)
▪ Unit of Disbursement Responsibility:	Competitiveness and Innovation Division (IFD/CTI)
▪ TC Included in Country Strategy (y/n):	No
▪ TC included in CPD (y/n):	No
▪ GCI-9 Sector Priority:	Institutions for Growth and Social Welfare

II. OBJECTIVES AND JUSTIFICATION

- 2.1 Over the last decades, most governments in Latin America and the Caribbean (LAC) have introduced an increasing number of services to Micro, Small and Medium Enterprises (MSMEs). The expansion of these services has been justified on the basis of the well-documented MSMEs' contribution to social and economic development¹. In this context, the public services - mainly training and technical assistance services - to support entrepreneurs and foster the creation of dynamic enterprises have become increasingly important. However, recent studies have documented that this expansion has been accompanied by major challenges in the design, implementation and evaluation of these Entrepreneurship Support Services (ESS). As a result, the quality of these services is quite heterogeneous across and within LAC countries, and little is known about their actual effectiveness².

¹ See Crespi, Fernandez-Arias, Stein (2014), *Rethinking Productive Development*. Sound Policies and Institution for Economic Transformation, Palgrave.

² Kantis, et al. (2004), *Desarrollo emprendedor. América Latina y la experiencia internacional*, Fundes International; Acs and Amorós, (2008), "Entrepreneurship and competitive dynamics in Latin America". *Small Business Economics*, 31(3); Lederman et al. (2014). "El emprendimiento en América Latina: muchas empresas y poca innovación", *Banco Mundial*.

- 2.2 The objective of this Technical Cooperation (TC) is to provide evidence on the effectiveness of an ESS program developed within MIF operation JA-M1037 in Jamaica and co-sponsored by the Development Bank of Jamaica (DBJ). Within operation JA-M1037, an innovative and reformed ESS program focused in strengthening MSMEs productivity through the provision of training targeted towards improving soft skills of entrepreneurs related to personal initiative and persistence along with business skills was developed. With the funding available through operation JA-M1037 only a before-after evaluation component was developed. However, this TC will incorporate an experimental evaluation where direct causal attribution of the operation over beneficiaries compared to equivalent non-beneficiaries will be recovered as explained below.
- 2.3 The TC's main objective and expected results are aligned with the GCI Sector Priority Institutions for Growth and Social Welfare given that the main outcome of the ESS to be evaluated in productivity growth. Therefore, alignment with the quoted GCI Sector Priority flows directly as one of the mainstream tools for growth is productivity enhancement. The TC is also aligned with the Updated Institutional Strategy 2010-2020, which identifies low productivity and innovation as one of the main regional development challenges. In addition, given that the TC will be executed within a project enhancing the technical and institutional development of an important existing ESS agency; institutional development is also encompassed and aligned with the objectives of the Special Program for Institutional Development (SPID).
- 2.4 This ESS program was carefully designed and, with the support of this TC, will be implemented as a Randomized Controlled Trial (RCT)³ during the last quarter of 2016. In the RCT, 500 entrepreneurs will be randomly assigned to a 40 hour training that will include components of Business Practices and Personal Initiative. Another group of 500 entrepreneurs will be randomly assigned to a 40 hour training that will focus purely on soft skills related to both Personal Initiative and Persistence. Lastly, another group of 1,000 entrepreneurs will not receive any training and will serve as the control group. These groups will be drawn from a database of entrepreneurs compiled from different sources including: JBDC former clients, Scotiabank clients, Respondents to a survey of informal entrepreneurs financed with RG-T2293, List of entrepreneurs provided by The Ministry of Labor.
- 2.5 However, to measure the short and medium term effectiveness of the program, follow-up data collection of the outcomes of interest such as sales volume, employment, productivity, development of new or improved products and services, and the quantity of business assets need to be collected 6 months and 18 months after the completion of the program. Therefore, this TC will collect such measurements to provide robust evidence of the short and medium term effectiveness of the program. In that way, the operational experience generated through a fully evaluated project will be used for the replication and scaling-up of the highest quality and most cost-effective approaches to ESS.

³ RCTs are the gold standard for measuring an intervention's impact in social sciences. In this way the findings on the effectiveness of the entrepreneurship support services will be unequivocal and conclusive.

- 2.6 In recent years, the IDB has supported and collaborated with various agencies that provide ESS both at the national and sub-national levels. Regarding the project that this TC aims to evaluate through the measurement of its effectiveness, the partner agency in Jamaica is the Jamaica Business Development Corporation (JBDC). The partner agency was identified over the basis of three criteria: first, it leads the provision of ESS in Jamaica; second, it provides services of extensive interest for other agencies in LAC, including trainings and technical assistance to foster entrepreneurial attitudes, improve business skills, and diffuse business best practices; and third, it expressed interest in reviewing their ESS portfolio, and in designing, implementing and evaluating reformed and innovative services.

III. DESCRIPTION OF ACTIVITIES/COMPONENTS AND BUDGET

- 3.1 To accomplish its objectives, the TC will be structured around three components:
- 3.2 **Component I. Critical review and diagnosis of existing ESS (US\$15,000).** Although the main objective of this TC is collecting the necessary follow-up data to measure the effectiveness of the specific ESS described above. This component aims to strengthen the current and future operational and critical thinking capacity of JBDC to design, execute and evaluate diverse ESS projects, thereby fostering and ensuring an appropriate sustainability of the TC's results.
- 3.3 This component will focus on the review of the existing JBDC's ESS, with emphasis on the identification of areas of improvement and opportunities for the introduction of innovative and/or complementary services. For all the ESS of JBDC, the following activities will be financed: (i) the analysis of the theory of change and execution mechanism; (ii) the identification of potential strength and weaknesses, with particular attention to the possible lack of complementary services; (iii) the identification of operational costs; (iv) the revision of the metric used for monitoring and evaluation M&E; (v) the definition of a plan to implement the recommended actions in agreement with the agency. In the context of the action plan, services will be selected to be reformed (or introduced) on the basis of the following criteria:
- a. Extensive interest in the service by JBDC.
 - b. Innovativeness, particularly with reference to the introduction of new services.
 - c. Sustainability of the services by JBDC.
 - d. Potential replication and/or scale-up by other agencies in LAC.
- 3.4 This component's products will include: (i) one diagnosis report; (ii) one action plan for the implementation of these recommendations. As a result, using the results from these outputs, JBDC will be able to identify the main strengths and weaknesses in their services' portfolio, select services to be reformed or introduced, and define a plan on how to implement these changes. In addition, JBDC will also reinforce its ability to perform a robust diagnosis of the efficiency and effectiveness of their activities, and increase their capacity to innovate.

3.5 **Component II. Evaluate the effectiveness of innovative ESS (US\$170,000).**

This component will focus on collecting follow-up data to test the effectiveness of the innovative ESS program developed within MIF operation JA-M1037 and to be implemented via the RCT described above. This will allow testing its viability and evaluate the cost-effectiveness of this innovative ESS. The design, implementation, and evaluation of the RCT will be conducted in close cooperation with JBDC to ensure full appropriability and long term sustainability of the services. The role of JBDC in this collaboration pertains to implementing the ESS to the sample of beneficiaries randomly selected by IDB (described in par. 2.4 above). This collaboration is guaranteed as it has been agreed within the operation JA-M1037 and the funding for such implementation is in line with the sample size of the RCT designed within the scope of this TC. Based on the evaluation's results, actions plans will be developed to support the full deployment (scaling-up) in JBDC portfolio of the highest quality and most cost-effective services.

3.6 The following activities will be financed: (i) follow-up data collection to evaluate the effectiveness of the ESS program 6 months and 12 months after its implementation. These surveys will collect several indicators including sales, costs, formality, labor productivity and total productivity; (ii) design and implementation of cost-benefit analyses (CBAs) of the tested services; and (iii) design and support for the implementation of an action plan for the full deployment in JBDC portfolio of the highest quality and most cost-effective services.

3.7 This component's products will include: (i) databases on actual and potential beneficiaries; (ii) one impact evaluation report; (iii) one cost-benefit analysis report; (iv) one action plan for replication/scaling-up. As a result, JBDC will introduce reformed and new services and improve the quality and the cost-effectiveness of their ESS. In addition, JBDC will strengthen its capacity to innovate their services portfolio on the basis of rigorous evidence of quality and effectiveness. The SPID will be properly acknowledged in all products. For the sake of transparency, all reports and anonymized databases will be publicly available through IDB's Publications and Data websites respectively.

3.8 **Component III. Dissemination of findings, support for repetition, replication and scaling up (US\$15,000).** This component will focus on ensuring the broader replication and scaling up of the services evaluated. A wider set of agencies from LAC will have access to the operational experience and evaluation of the RCT and will be supported in the adoption of those services that had shown to be the most cost-effective. For this purpose, this component will finance (i) the organization of one workshop including other LAC agencies but with a particular focus in JBDC as the partner agency during which the products of component II will be discussed; and (ii) the dissemination through social media of the RCT results with special emphasis among the Jamaican public and private sector entities involved in the provision and regulation of ESS.

3.9 This component's products will include: (i) one workshop; (ii) material to be disseminated through social media (blogs and presentation). The SPID will be properly acknowledged in all products and events.

Indicative Results Matrix

Indicators	Measurement Unit	Baseline		Goal		Source of Verification
		Value	Year	Value	Year	
Component I. Critical review and diagnosis of existing ESS.						
Outputs						
Report summarizing the critical assessment of JBDC's ESS portfolio	Technical note	0	2016	1	2017	IDBDOCS
Outcomes						
Knowledge use of technical note/operational guideline for ESS design and implementation	Redesigned and implemented ESS	0	2016	2	2018	JBDC portfolio
Component II. Evaluate the effectiveness of innovative ESS.						
Outputs						
Follow-up surveys (6 and 12 months after ESS implementation)	Survey	0	2016	2	2017	IDBDOCS
Databases with records of beneficiaries and non-beneficiaries	Database	0	2016	1	2018	IDBDOCS
Impact evaluation report of the RCT	IDB Working paper	0	2016	1	2019	IDBDOCS
Outcomes						
Increased evidence-based policymaking through use impact evaluation findings	Number of unique downloads of the working paper	0	2016	200	2019	BRIK
Component III. Dissemination of findings, support for repetition, replication and scaling up.						
Outputs						
Dissemination event	Workshop	0	2016	1	2019	IDBDOCS
Blog	Blog	0	2016	1	2019	IDBDOCS
Presentation	PPT presentation	0	2016	1	2019	IDBDOCS
Outcomes						
Increased evidence-based policymaking through use of dissemination material (blog and presentation)	Number of unique downloads of the presentation	0	2016	300	2019	BRIK

3.10 The total amount of funds needed to achieve expected outputs is US\$200,000 fully funded by the Bank through the Special Program for Institutional Development (SPID). The following table splits this budget among the different components, for more details see Annex II.

Indicative Budget (in US\$ dollars)

Activity/ Component	Description	IDB/Fund Funding	Total Funding
Component 1:	Critical review and diagnosis of existing ESS	15,000	15,000
	Critical assessment of JBDC's ESS portfolio	15,000	15,000
Component 2:	Evaluate the effectiveness of innovative ESS	170,000	170,000
	Follow-up surveys (6 and 12 months after ESS implementation)	125,000	125,000
	Databases with records of beneficiaries and non-beneficiaries	25,000	25,000
	Impact evaluation report of the RCT	20,000	20,000
Component 3:	Dissemination of findings, support for repetition, replication and scaling up	15,000	15,000
	Dissemination event	13,000	13,000
	Blog	1,000	1,000
	Presentation	1,000	1,000
Total:		200,000	200,000

IV. EXECUTING AGENCY AND EXECUTION STRUCTURE

- 4.1 Bank Policy GN-2470 establishes that the Bank may execute TC in areas of its expertise provided that the proposed activities are consistent with the Bank's strategies and programs. The Bank has a long tradition in the design and implementation of impact evaluations within an RCT framework, justifying the fact that the Bank will be the executing agency.
- 4.2 The Bank through IFD/CTI will be responsible for the direction, supervision and coordination of this TC. Given the experience of IFD/CTI in the topics included in this TC, this unit will be responsible for the procurement and supervision of the products included in this TC.
- 4.3 Procurement: The Bank will contract individual consultants, consulting firms and non-consulting services in accordance with current Bank procurement policies and procedures.

V. PROJECT RISKS AND ISSUES

- 5.1 There are no major risks associated with the implementation of this TC. However, the success of the TC will depend on the capacity of JBDC to execute the innovative ESS to be evaluated. In order to mitigate this risk, the project team has worked (and will work) closely with JBDC in all the phases of the project. The selection of JBDC was done with a credible and documented track record in the area of ESS and, therefore, it substantially mitigates such risk. On the other hand, the present TC aligns and complements the actions of the Compete

Caribbean Partnership Facility (GN-2851) in the area of supporting the competitiveness of firms by strengthening technology extension and innovation.

VI. EXCEPTIONS TO BANK POLICY

- 6.1 No exception of the Bank Policy is required for the TC.

VII. ENVIRONMENTAL AND SOCIAL CLASSIFICATION

- 7.1 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 – [Non-objection Letter](#)
- Annex II - [Terms of Reference for activities](#)
- Annex III - [Procurement Plan](#)

BUILDING INSTITUTIONAL CAPACITY IN THE AREA OF ENTREPRENEURSHIP SUPPORT SERVICES

JA-T1132

CERTIFICATION

I hereby certify that this operation was approved for financing under the Special Program for Institutional Development **(PID)** through a communication dated **June 2, 2016** and signed by kai Hertz. Also, I certify that resources from said fund are available for up to **US\$200,000** 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, i.e. 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

08/24/2016
Date

Approved: _____
Original Signed
Jose Miguel Benavente
Division Chief
Competitiveness & Innovation Division
IFD/CTI

08/25/2016
Date