

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

JAMAICA

BOOSTING INNOVATION, GROWTH AND ENTREPRENEURSHIP ECOSYSTEMS IN JAMAICA

(JA-G1006)

NON-REIMBURSABLE INVESTMENT FINANCING

GRANT PROPOSAL

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REQUIRED ELECTRONIC LINKS (REL)	
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REL#2	Monitoring and Evaluation Plan
REL#3	Environmental and Social Strategy
REL#4	Procurement Plan

OPTIONAL ELECTRONIC LINKS (OEL)	
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OEL#2	Operating Manual
OEL#3	Jamaica's Entrepreneurial and Innovation Ecosystem Final Report
OEL#4	Demand Assessment
OEL#5	Landscape for Entrepreneurship and Innovation in Jamaica
OEL#6	Legislative Framework for Entrepreneurship and Venture Capital Ecosystem
OEL#7	Gender Analysis
OEL#8	Water and Sanitation Issues in Jamaica
OEL#9	Communication and Visibility Strategy
OEL#10	Bibliographical References
OEL #11	Environmental and Climate Change Considerations for Financed Projects
OEL#12	Safeguard Policy Filter (SPF)

ABBREVIATIONS	
AFSP	Audited Financial Statements of the Project
AFS	Annual Financial Statements
AOP	Annual Operation Plan
ATFP	Access to Finance Program
BIGEE	Boosting Innovation, Growth and Entrepreneurship Ecosystems
BSIs	Business Support Intermediaries
CARAIA	Caribbean Alternative Investment Association
CBA	Cost Benefit Analysis
CCLIP	Conditional Credit Line for Investment Projects
DBJ	Development Bank of Jamaica Limited
EA	Executing Agency
EIB	European Investment Bank
EU	European Union
EU-CIF	European Union Caribbean Investment Facility
E&S Strategy	Environmental and Social Strategy
FCGP	Foundations for Competitiveness and Growth Program
FFPA	Financial Framework Partnership Agreement
GDP	Gross Domestic Product
GEM	Global Entrepreneurship Monitor
GHG	Greenhouse Gas
GII	Global Innovation Index
ICAP	Institutional Capacity Analysis Platform
ICT	Information and Communication Technology
IDB	Inter-American Development Bank
IGNITE	Innovation Grant for New Ideas and Entrepreneurship
IGR	Investment Grant Operation
JAMPRO	Jamaica Export Promotion Agency
JVCP	Jamaica Venture Capital Program
LAC	Latin American and the Caribbean
NDC	Nationally Determined Contributions
NPV	Net Present Value
MEP	Monitoring and Evaluation Plan
MICAF	Ministry of Industry, Commerce, Agriculture and Fisheries
MSET	Ministry of Science, Energy and Technology
MSMEs	Micro, Small and Medium Enterprises
OLAF	European Anti-Fraud Office
OM	Operating Manual
OW	Open Window
OWP	Open Window Panel
PCR	Project Completion Report

ABBREVIATIONS	
PEP	Pluriannual Execution Plan
PIOJ	Planning Institute of Jamaica
PSC	Project Steering Committee
PSG	Project Specific Grant
PSOJ	Private Sector Organization of Jamaica
RACI	Responsible Accountable Consulted Informed
RM	Results Matrix
R&D	Research and Development
R&D&I	Research, Development, and Innovation
SF	Sidecar Fund
SMC	Strategic Monitoring Committee
SMEs	Small and Medium-sized Enterprises
TEA	Total Entrepreneurial Activity
TEP	Technical Expert Panel
TFP	Total Factor Productivity
TU	Technical Unit
UTECH	University of Technology
UWI	University of West Indies
VCF	Venture Capital Fund
VDPEP	Venture Capital and Private Equity Policy
WASH	Water, Sanitation, and Hygiene

PROJECT SUMMARY
JAMAICA
BOOSTING INNOVATION, GROWTH AND ENTREPRENEURSHIP ECOSYSTEMS IN JAMAICA
NON-REIMBURSABLE INVESTMENT FINANCING
GRANT PROPOSAL
(JA-G1006)

Financial Terms and Conditions					
Beneficiary:			European Union - Caribbean Investment Fund: ^(a)		
Republic of Jamaica			Amortization Period:		N/A
Executing Agency:			Disbursement Period:		5 Years
Development Bank of Jamaica Limited (DBJ)			Grace Period:		N/A
Source:	Amount:	%	Interest rate:		N/A
ECR – 2020 EU-IDB Financial Framework Partnership Agreement in Euros (€):	7,400,000 ^(a)	100	Credit Fee:		N/A
			Inspection and supervision fee:		N/A
US Dollar (US\$):	8,687,485 ^(b)	100	Weighted Average Life (WAL):		N/A
Total in €:	7,400,000	100	Currency of Approval:		Euros (€)
Project at a Glance					
Project Objective/Description: The standalone IGR complements the BIGEE Loan (4860/OC-JA) with the general objective to promote sustainable and robust growth among startups and Micro, Small and Medium Enterprises (MSMEs) in Jamaica. The specific objectives are to: (i) promote innovation and productivity among established MSMEs with high growth potential; (ii) promote sustainable growth in scalable startups; and (iii) create a sustainable pipeline of high-growth potential startups.					
Special Contractual Clauses Prior to the First Disbursement: The Beneficiary will provide evidence to the satisfaction of the Bank of the following: (i) that the Technical Unit (TU) of the BIGEE Loan, as well as the Programme Manager, Financial Specialist and Procurement Specialist, have the authority to execute this programme; (ii) that the Operating Manual (OM) of the BIGEE Loan, which has been updated to include the execution of this operation, including the Environmental and Social Strategy (E&S Strategy) , has been approved and entered into force in accordance with the terms and conditions previously agreed with the Bank; and (iii) that the agreement between the Beneficiary and the Executing Agency (EA) for the transfer of the resources of this operation together with project implementation obligations has been signed and entered into effect (¶3.5).					
Exceptions to Bank Policies: None.					
Strategic Alignment					
Challenges ^(c) :	SI <input type="checkbox"/>		PI <input checked="" type="checkbox"/>		EI <input type="checkbox"/>
Cross-Cutting Issues ^(d) :	GE <input checked="" type="checkbox"/>	and DI <input type="checkbox"/>	CC <input checked="" type="checkbox"/>	and ES <input checked="" type="checkbox"/>	IC <input checked="" type="checkbox"/>

^(a) Grant resources to be provided by the European Union (EU) are subject to availability and approval by the EU. The funds will be administered by the Bank through a Project Specific Grant (PSG) that will be administered by the Bank according to Document SC-114 and under the terms of the 2020 “Financial Framework Partnership Agreement” (GN-2605-5). As contemplated therein, the commitment from the EU will be established through a separate Contribution Agreement. EU resources will be available for disbursement once the Contribution Agreement has been signed between the EU and the Bank, and the funds from the EU are received by the Bank. The Bank will charge a lead fee for administration of the EU resources valued at minimum of EUR400,000, the latter being the fee amount for this project.

^(b) The exchange rate used on August 24, 2021, was €0.8518 to US\$1. The EU PSG contribution payments will be made in Euros (€), and immediately converted to US Dollars when received by the Bank's Finance Department. The Finance Department will inform the Project Team of the exchange rate at which each contribution is converted.

^(c) SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

^(d) GE (Gender Equality) and DI (Diversity); CC (Climate Change) and ES (Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

I. PROJECT DESCRIPTION AND RESULTS MONITORING

A. Background, problem addressed, and justification

- 1.1 **Background.** In September 2019, the Board of Directors of the Inter-American Development Bank (IDB) approved a Conditional Credit Line for Investment Projects (CCLIP) line of US\$50 million, and a first individual operation of US\$25 million under the CCLIP, Boosting Innovation, Growth and Entrepreneurship Ecosystems ([BIGEE 4860/OC-JA](#) or BIGEE Loan). To complement the BIGEE loan, this document proposes the approval of a non-reimbursable investment operation (Investment Grant Operation or “IGR”) for EUR(€)7.4 million (approximately US\$8.7 million) to be granted by the European Union Caribbean Investment Facility (EU-CIF). The resources would be transferred to the IDB as administrator by means of a Project Specific Grant (PSG) subject to the 2020 EU-IDB Financial Framework Partnership Agreement (FFPA) between the European Union (EU) and the IDB signed on September 29, 2020 (GN-2605-5, the EU-IDB Framework Agreement).
- 1.2 This standalone IGR operation has the same objective of the BIGEE loan ([4860/OC-JA](#)) and complements it by providing additional resources for the loan targeted at addressing gender, climate change, and COVID-19¹ impact for established MSMEs, scalable startups and high potential startups. Therefore, the Results Matrix (RM) is the same for both.
- 1.3 **Macroeconomic context.** Over the past decades, Jamaica has experienced low levels of economic growth - less than 1% yearly average – and debt levels to Gross Domestic Product (GDP) ratios of over 100%[1]². Although the debt/GDP ratio was reduced to under 100% of GDP by the end of the 2018/19 FY[2], real GDP growth has remained slow at only 0.9% during 2017, and 1.4% in 2018/19 FY[3]. Due to the COVID-19 pandemic, the Planning Institute of Jamaica (PIOJ) predicted a decline by 10.5% to 12.5% points in GDP for 2020/21. Even though the economy is expected to grow during 2021/22 FY, it will take up to 2023/24 FY for Jamaica to return to pre-COVID-19 output levels[4].
- 1.4 **Productivity and innovation.** The low growth observed before the pandemic is partly attributable to declining productivity.³ Total Factor Productivity (TFP) has decreased at 1.6% per year since 2000 in Jamaica[5]. TFP measures how an economy combines its inputs - capital and labour – to produce value and reflects technological change of an economy. TFP captures the innovation and/or technology development and adoption of private sector firms and value creation in new products or new processes[6].
- 1.5 Innovation, defined as the transformation of new ideas into economic and social solutions that add value, has a causal link to increases in productivity and

¹ COVID-19 response measures will include relief grants for women led MSMEs, support to adopt digital platforms and safety protocols for business continuation, technology adoption and innovation, including reducing the vulnerability of health value chains.

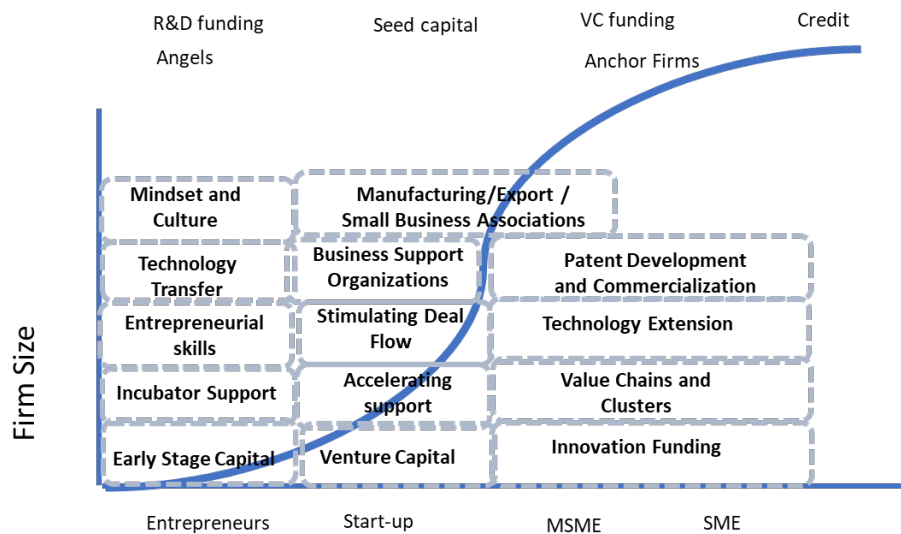
² See [OEL#10](#).

³ TFP measures the other factors of production not explained by labor and capital such as technology, innovation and workforce skills.

growth[7]. Promoting innovation and entrepreneurship in the private sector requires a strong ecosystem of entrepreneurship and innovation which lowers the risks of investing in innovative, high growth business opportunities by diminishing the uncertainty related to investing in new, disruptive products or services.

- 1.6 This programme aims at shifting stagnant growth trends by supporting MSMEs with high growth potential and dynamic entrepreneurship. The strategy includes accelerating and supporting high potential growth ventures at all stages in the business cycle [from early and ideation stage to start-ups with high growth potential, to established Small and Medium-sized Enterprises (SMEs) that face challenges to innovate and grow],⁴ as well as strengthening the public and private actors in the ecosystem.

Figure 1. Support interventions to firms at different stages of the business cycle



Source: IDB. Dohnert, Sylvia and Stevenson, Claudia.

- 1.7 **Rationale for intervention and main challenges to be addressed.** MSMEs⁵ account for 98% of registered firms[8]. It is estimated that around 9,600 MSMEs engage in business activities, of which 37% are small. While Jamaica does not differ from other small economies in its capacity for innovation, Jamaican businesses (in particular MSMEs) innovate at slower rates than those of other small economies[9]. A 2013-2014 firm level survey revealed that only 12% of surveyed Jamaican firms are innovating and only 13% of Jamaican firms indicate having a R&D department[10]. However, recent surveys show that there is a cadre of MSMEs driven by opportunity with high growth potential that claim that lack of funding hinders their ability to grow and innovate[11]. Funding for entrepreneurship and innovation face market failures related to knowledge

⁴ An impact evaluation using quasi-experimental techniques revealed that investment in innovation produced a 20% greater likelihood of launching products in international markets, and a 230% increase in sales of innovative products. Each dollar of public support generated US\$19 of increased fiscal revenues to the government (Gonzalo, 2013; ANNI, 2017).

⁵ Ministry of Industry, Commerce, Agriculture and Fisheries (MICAF) defines a MSME based on annual sales as follows: Micro <J\$15 million, Small >15J\$ million <75J\$ million and medium > J\$75 million < J\$425 million. US\$ exchange rate as of January 31, 2019, J\$134.

production, information asymmetries between innovators and financiers, and inherent risk of innovative activities[12].

- 1.8 There are challenges at more aggregate levels that inhibit innovation. Jamaica's economy is classified as "efficiency-driven" rather than "innovation-driven"[13] and ranks 72nd out of 126 countries in the 2020 Global Innovation Index (GII). Some of the weaknesses identified by the GI were Research and Development (R&D) activity, logistics performance, e-participation, and knowledge and technology outputs (as captured by high-tech net exports).⁶
- 1.9 There are gaps at the early stages of the life-cycle, which translates into a weak deal-flow of high-growth, innovative firms[14]. The current ecosystem needs to strengthen the capacity to support businesses with technological content, as well as to adapt and use digital technologies and other technologies for manufacturing and providing services[15]. A recent survey showed that although 74% of firms owned a computer, only 23.9% had a website and 17.7% had intranet. Also, only 8% of the firms used alternative energy and 6.9% had received any form of business development assistance.⁷
- 1.10 The Development Bank of Jamaica Limited (DBJ) has developed initiatives in the ecosystem, promoting entrepreneurship and innovation, such as the Innovation Grant from New Ideas to Entrepreneurship (IGNITE).⁸ IGNITE (launched in October 2015) provides non-reimbursable grants to MSMEs and entrepreneurs with the objective to improve the business development and growth of startups with innovation projects that achieve positive economic returns in terms of level of investment, revenue, employment, and export. An evaluation of the IGNITE programme showed that high-potential growth entrepreneurs needed more support in terms of the size of the grants provided as well as sophisticated technical expertise from the agents and the need to scale up the programme and improve coordination of actors. Furthermore, whilst the programme did support women entrepreneurs and climate change projects, the pandemic's impact accelerated the need for increased efforts in financing projects that: (i) provide targeted gender sensitive support to women-led⁹ firms and their capacity to contribute to the economy; and (ii) targeted financing to climate change mitigation/adaptation projects that contribute to resiliency and sustainability.
- 1.11 **Gender.** Female entrepreneurs require additional support which takes into consideration differences in needs, access to opportunities, and capacities. Jamaican women who become entrepreneurs and/or found startups face more difficulties in finding support for their ventures. Women in Jamaica are less likely to start a business (W/M ratio 0.8), to transition their business to a mature stage (W/M ratio 0.9) and are more likely to discontinue their businesses

⁶ [GII, 2020.](#)

⁷ [The Report on the Jamaica Survey of Establishments, 2018.](#)

⁸ IGNITE Phase 1 saw 215 full time jobs created; US\$225 million in investments; and US\$109 million in revenues.

⁹ Women-led firms are defined as firms with 51% of women ownership or at least 50% of the management team are women.

(W/M ratio 1.8).¹⁰ Lower Total Entrepreneurial Activity (TEA)¹¹ rates for women in Latin America and the Caribbean (LAC) can be attributed to regulation and policies, cultural and societal norms and expectations, funding and human capital[16]. In the last years there has been a decline in women's TEA (49% between 2014-16) and a widening of the gender gap in entrepreneurship.¹² Also, there is a gender gap among investors (W/M ratio of 0.73), although when women invest, the amounts invested are considerably higher than men (W/M ratio of 1.5).

- 1.12 Studies carried out by the IDB¹³ have identified issues that comes from gender stereotyping such as: (i) women are underrepresented at the highest levels of business and society due to entrenched gender ideologies and concepts of leadership; and (ii) deficit in the sex-disaggregated data that is available nationally to support policymaking and the drafting and implementation of legislation to promote gender equality. The study also identified challenges to business development for women such as lack of confidence at start up (fear of failure), balancing personal and professional lives, discrimination in the early phases of business development, lack of access to productive networks and a poor societal view of entrepreneurship, and the general state of the economy in their countries.
- 1.13 In Jamaica, females comprise 34% percent of the total self-employed and 93% do not have employees, a situation that is worse than in the rest of the Caribbean. Most of women-owned businesses in Jamaica are operating in generic sectors, with high competition and low profitability [17]. Moreover, studies on the impact of diversity on the performance of companies and economies show that diverse and inclusive companies are 69% more profitable, realize a 35% higher return on equity and a 34% higher shareholder returns than non-diverse companies[18]. Companies with more women in senior management have better governance, are less likely to go bankrupt and are seen as more innovative.
- 1.14 Women are facing increases in risk of COVID-19 infection as women play a disproportionate role in responding to the pandemic, including as frontline healthcare workers, childcare providers at home and community leaders and mobilisers.¹⁴ There are also concerns for increased cases of crime and gender-based domestic violence in Jamaica.
- 1.15 **Climate change.** With severe hurricanes, increased rainfall intensity, and longer periods of drought, Jamaica has suffered large economic losses as a result of such natural disasters in recent years. Its vulnerability¹⁵ to these climate change impacts has motivated Jamaica to develop a national climate change policy framework.¹⁶ The Nationally Determined Contributions (NDC) of 2020¹⁷ supports

¹⁰ [Global Entrepreneurship Monitor \(GEM\), 2017.](#)

¹¹ TEA is the indicator that assesses the percent of working age population about to start an entrepreneurial activity.

¹² [GEM, 2018.](#)

¹³ WEGrow 2014. Unlocking the Growth Potential of Women Entrepreneurs in LAC. FOMIN.

¹⁴ [In Focus: Gender Equality Matters in COVID-19 Response, UN 2020](#) and [Policy Brief: The Impact of COVID-19 on Women.](#)

¹⁵ Jamaica is highly exposed and vulnerable to natural hazards. Jamaica ranks 19th in the world in terms of exposure to natural hazards. (Hilft, B. E., 2017). World Risk Report: Analysis and Prospects).

¹⁶ [Climate Change Policy Framework in Jamaica.](#)

¹⁷ [Update of NDC of Jamaica.](#)

achieving more ambitious Greenhouse Gas (GHG) emission reduction targets in the forestry and energy sector. It also prioritizes strategies, plans, and actions in the agriculture and water sectors, and recognizes the need for new innovations and technology transfer to support low-carbon and climate-resilient development. Recovery from destructive natural disasters and climatic impacts often takes many years and even decades. Building and increasing resilience to the impacts of climate change will require innovation in approach, products, and services across all sectors of the Jamaican economy and society especially as the country transitions to a carbon-free economy.

- 1.16 Jamaican MSMEs can play a significant role in this development agenda by innovating and delivering solutions in the field of climate resilient and low carbon products, services, technologies, and processes. This will support achieving the more ambitious GHG emissions reduction targets.
- 1.17 **COVID-19 impact on MSMEs.** Jamaica, like many countries across the world, is highly susceptible to external shocks caused by pandemics, such as COVID-19. Jamaica's high dependence on Tourism (33.7% direct and indirect contribution to GDP and 30.5 direct and indirect share of employment), drove an important GDP contraction, (expected to be in between 10.5 and 12.5 percentage points for 2020/21). The situation was exacerbated by the forced closed down of domestic business and consumers required to stay home[19]. A recent study on the gender gap surrounding the COVID-19 impact found that 53.3% of single females lost their jobs vs. 37.5% single male during the COVID-19 pandemic, while 49.3% of single-females reported to have closed their businesses compared to 40% for single-males.¹⁸ MSMEs¹⁹ which account for 98% of registered firms,²⁰ have been highly affected by the COVID-19 pandemic. COVID-19 has also highlighted issues related to health security and the need to have mechanisms in place to respond, such as availability and access to Water, Sanitation, and Hygiene (WASH).²¹ This has implications for the efficacy of coronavirus measures as well as for the economic resources that are available to respond to the pandemic[20], see [OEL#7](#).
- 1.18 **Demand assessment.** The demand assessment (See [OEL#4](#)) found sufficient demand for the programme resources. Female participation in DBJ supported programmes have been strong, although not yet equitable. Women entrepreneurs (46% of supported entrepreneurs) were funded at the early and seed stages by DBJ's IGNITE programme. Out of the 50 entrepreneurs or start-ups funded by IGNITE, (22%) offers solutions relevant to climate change mitigation and adaptation. IGNITE is channeled through five Business Support Intermediaries (BSIs) which have incentives to identify women-owned or led beneficiaries and start-ups and MSMEs focused on gender inclusion, climate change and COVID-19 response themes. One of the BSIs is women-owned and led (Sister's Inc.) and another BSIs focuses on climate issues (Caribbean Climate Innovation

¹⁸ [Mind the Gender Gap: A picture of the socioeconomic trends surrounding COVID-19 in the Caribbean with a gender lens, 2020.](#)

¹⁹ MICAF defines a MSME based on annual sales as follows: micro <J\$15 million, small >J\$15million <75J\$ million and medium > J\$75 million < J\$425 million. US\$ exchange rate US\$1 = J\$150.66.

²⁰ [The Updated MSME & Entrepreneurship Policy, 2018.](#)

²¹ The programme is considering water adaptation measures as part of climate change, see [OEL#9](#).

Center).²² The newest edition of IGNITE (IGNITE III) was launched in March 2021 and gender inclusion and climate change were introduced as eligible categories.²³ Women entrepreneurs and women-led startups with innovative project ideas in the eligible categories of funding are being prioritized.²⁴

- 1.19 **Government strategy, priorities, and actions.** The programme is aligned with Jamaica's Vision 2030 which calls for a prosperous economy based on an enabling business environment, a technologically enabled society, and internationally competitive industries. The 2018 MSME Policy promotes the formation, sustainable growth, and development of businesses in the MSME sector, incorporating a culture of entrepreneurship. The Bank of Jamaica and the Government of Jamaica have undertaken a number of economic measures to dampen the impact of the crisis on key affected sectors such as: (i) broad-based tax cuts and related subsidies; (ii) financing and grant facilities to support the most affected sectors (both businesses and persons); and (iii) the suspension of import taxes for critical medical and other supplies[21]. The programme is aligned with the recommendations of the COVID-19 Economic Task Force Report²⁵ in terms of strengthening value chains and clusters and supporting firms in digital transformation, increase in productivity and innovation.
- 1.20 **Bank experience and lessons learned.** The IDB has supported entrepreneurship and innovation ecosystems in the region, such as those in Peru and Uruguay, that started with similar incipient innovation ecosystems as the one Jamaica has now, and have shown results in terms of growth, innovation, and employment generation and the capacity to respond rapidly to the challenges posed by COVID-19. Lessons from other operations in Jamaica that support the private sector such as Boosting Innovation, Growth and Entrepreneurship Ecosystems Programme ([4860/OC-JA](#)), approved in 2019 for US\$25 million, Program for Skills Development for Global Services ([4645/OC-JA](#)), Credit Enhancement Program for MSMEs ([4115/OC-JA](#)), approved in 2018 for US\$15 million, Supporting the Development of an Entrepreneurial and Early Stage Ecosystem in Jamaica ([ATN/ME-15282-JA](#)), approved in 2015 for US\$1.2 million show that a strong executing agency with the mechanisms for interacting with private sector and entrepreneurs must provide a transparent and effective allocation of resources. Lessons learned from the IGNITE Program show the need to scale up the interventions and provide technical assistance to offer targeted support and technical advice. Lessons from the IDB-Lab's Jamaica Venture Capital Program (JVCP) indicate the need to educate investors on the needs of technological and innovative firms and to catalyze angel investors through active engagement and incentives (such as the proposed Sidecar Fund (SF)). IDB Invest reveals the need for innovative financial products that encourage climate change solutions and that support firms in acquiring new technologies.

²² [Caribbean Climate Innovation Center](#).

²³ All eligible funding categories are as follows: (i) software and Information and Communication Technology (ICT) industries; (ii) artisan products and creative industries; (iii) agri-tech; (iv) light-manufacturing; (v) climate change; (vi) gender inclusion; and (vii) innovation in emerging technologies (including big data, manufacturing, electronics, biotechnology, artificial intelligence, and cybersecurity).

²⁴ [Boosting Innovation Growth & Entrepreneurship Ecosystems – DBJ](#).

²⁵ [Economic Recovery Task Force Report](#).

- 1.21 Lessons learned from impact evaluations²⁶ conducted by the IDB on interventions in other countries in the region show that dynamic entrepreneurs need not only the financial framework but also complementary programmes such as training, incubators, accelerators, a functioning property rights framework and technological resources.²⁷ In Peru, for example, Start Up Peru managed not only to foster innovative entrepreneurs but also incubators, accelerators, local and international investors, universities and large corporations that realized the commercial opportunities behind the projects identified through the programme.²⁸
- 1.22 **Complementarity with other operations.** This operation complements the BIGEE ([4860/OC-JA](#)) as the present operation will complement the activities of each component by targeting specifically gender, climate change and COVID-19 focused financing. It also complements Program for Skills Development for Global Services ([4645/OC-JA](#)) that supports SMEs in the Global Services Sector; the Credit Enhancement Programme for MSMEs ([4115/OC-JA](#)) that addresses access to credit for MSEs; the Supporting the Development of an Entrepreneurial and Early Stage Ecosystem in Jamaica ([ATN/ME-15282-JA](#)) that will be scaled up with the present operation as it sets up the beginning stages of an innovation ecosystem for Jamaica, including initial support for incubators, accelerators, angel investors and the framework for venture capital; the Compete Caribbean TCs, Strengthening the Intellectual Property Ecosystem to Increase Innovation Competitiveness and Growth ([ATN/CO-17021-JA](#)) that tackles Intellectual Property; and Support to Jamaica's Innovation Ecosystem for Promoting Innovative Firms ([ATN/CO-17246-JA](#)) which supports the capacity building activities of the DBJ including training and advancing key activities of the programme. In addition, the present operation complements the ongoing World Bank's Program Foundations for Competitiveness and Growth²⁹ and the Jamaica Access to Finance for MSME Project that includes the capitalization of an SME Fund. The programme will provide continuity of efforts to the IDB-Lab's JVCP and incubator programmes financed by the IDB Lab and proposes to create a pipeline of firms that may potentially seek additional financial support from the IDB Invest.
- 1.23 **Donor coordination.** The IDB coordinated with the EU to establish the content of this proposal and the nature of the complementarity of the resources to be focused on gender, climate change and COVID-19 support. The IDB has coordinated with the World Bank, as the DBJ is currently executing the Jamaica Foundations for Competitiveness and Growth Program (FCGP) that supports anchor firms and complements the present programme as it will expand the support for clusters and value chains, and the Access to Finance Program (ATFP) that finances the creation of an SME Fund that will be complemented with a Venture Capital Fund (VCF) of the present programme as it will address financing

²⁶ See impact evaluations conducted by the IDB such as Goni, E. and S. Reyes, 2019; "Entrepreneurs, entrepreneurship and ecosystems: an assessment of the effectiveness of Peruvian start up programs," IDB, Mimeo. Gonzalez-Urbe, J. and S. Reyes (2019); "Identifying and Impacting "Gazelles": Evidence from Business Accelerators," Mimeo.

²⁷ Quasi-experimental impact assessment of the instruments to promote firm Innovation from ANII in Uruguay. H. Kantis, 2013. Evaluating the impact of technology development funds in emerging economies: evidence from Latin America. Hall and Maffioli, 2008. Promoting Innovation in the Chilean Services Sector: Towards Productivity and Competitiveness, mimeo CINVE. Alvarez and Zahler, 2013. *Impacto de programas de financiamiento para la innovación en empresas*. Gofí and Gonzales, 2017.

²⁸ Section III.B of [MEP](#).

²⁹ The World Bank FCGP.

gaps at an earlier stage. The Bank also engaged with the different stakeholders that are active in promoting entrepreneurship in Jamaica, including donors, universities, public institutions, and other multilateral organizations.

- 1.24 **Strategic alignment.** The programme is aligned with the Second Update of the Institutional Strategy (AB-3190-2), through the development challenge of Productivity and Innovation, as it promotes productivity and innovation in MSMEs, startups and entrepreneurs. It is also aligned with the cross-cutting issues areas of: (i) Institutional Capacity and Rule of Law, as the role of the DBJ and other institutions (such as incubator, accelerators, and other BSIs) will be strengthened; (ii) Gender Equality, by financing women-led firms to innovate in their business process or products and increase their efficiency, economies of scale and scope, strengthening their digital technology adoption and providing grants for MSMEs to develop gender responsive³⁰ to global health challenges; (iii) Climate Change, by financing climate change adaptation and mitigation activities such as innovating and delivering solutions in the field of climate resilient and low carbon products, services, technologies, and processes in order to foster innovation and build resilience; and (iv) Environmental Sustainability, as the activities include financing for firms focused on addressing environmental sustainability issues, by innovating and delivering solutions in the field of climate resilient and low carbon products, services, technologies, and processes in order to foster innovation and build resilience (See [Environmental and Social Strategy \(E&S Strategy\)](#)). According to the [joint MDB approach to climate finance](#), 22.86% of total IDB funding for this operation is climate finance due to the earmarked investment in climate related innovation. These resources contribute to the IDB's climate finance goal of 30% of annual approvals. This operation is also aligned with the Corporate Results Framework (CRF) 2020-2023 (GN-2727-12), through the following indicators: (i) jobs supported; (ii) micro / small / medium enterprises financed; (iii) enterprises provided with technical assistance; (iv) women beneficiaries of economic empowerment initiatives; and (v) agencies with strengthened digital technology and managerial capacity. The project is aligned with the Sector Strategy Institutions for Growth and Social Welfare (GN-2587-2) as it responds to strengthening entities that are part of the entrepreneurial ecosystem. The programme is consistent with the Innovation, Science and Technology Sector Framework Document (GN-2791-8) as it supports the strengthening of an innovation and entrepreneurship ecosystem, also with the Gender Action Plan for Operations 2020-2021 (GN-2531-19) in the area of a women economic opportunities and productivity. The programme is aligned with the IDB Group Country Strategy with Jamaica 2016-2021 (GN-2868), through the strategic objective of facilitating access to finance for SMEs, as it will increase private sector productivity and growth by enhancing MSME access to funding for innovation. The operation is consistent with Build Forward³¹ - the sub-regional strategy of Vision 2025 for the Caribbean. The proposed activities support the following priorities of the IDB's Vision 2025: (i) the digital economy as it relates to

³⁰ Both men and women led firms can take a gendered perspective to their solutions, taking into consideration within their business models and practices the needs of women as customers and employees.

³¹ Build Forward is a delivery-oriented initiative aimed at helping Caribbean countries define Sustainable Development Pathways for their transformation in a smart and resilient manner.

improving digital skills; and (ii) support to MSMEs as it relates to direct financial and technical assistance.

B. Objective, components, and cost

1.25 The standalone IGR complements the BIGEE Loan ([4860/OC-JA](#)) with the general objective to promote sustainable and robust growth among startups and MSMEs in Jamaica. The specific objectives are to: (i) promote innovation and productivity among established MSMEs with high growth potential; (ii) promote sustainable growth in scalable startups; and (iii) create a sustainable pipeline of high-growth potential startups. Thus, the BIGEE Loan and this IGR programme share the same RM.

1.26 **Component 1.³² Innovation and Growth for Established MSMEs (€1.9 million/ US\$2.23 million equivalent).** This component will target established MSMEs and is geared to promote efficiency and growth through development and adoption of innovation. It will allow participant MSMEs to use inputs and factors in more productive and sustainable ways by improving productive processes, creating new products, and adopting more efficient technologies and services, therefore enabling low-carbon and climate resilient growth.

1.27 **Subcomponent 1.1. Investment in Innovation in MSMEs.³³** This subcomponent will promote the increase of inputs for innovation among firms by: (i) supporting innovation in established MSMEs³⁴ through matching grants for investments in innovation in either processes or products; and (ii) financing public and club goods for clusters of collective use that would allow MSMEs to increase their efficiency, as well as economies of scale and scope. This subcomponent will include activities to provide innovation grants and to finance public goods to: (i) women-led firms/clusters; (ii) COVID-19 responses with climate focus; and (iii) open collaboration initiatives to accelerate the development of innovative and gender responsive climate solutions. It will also provide for targeted communication and specialized advisory services³⁵ focused on supporting women entrepreneurs to propose and participate in innovative climate solutions resulting in a target percentage of women beneficiaries and climate financed projects accessing grants. Maximum grant size will be US\$100,000 with a counterpart requirement of 15% as DBJ's experience shows this is the optimum size for firms in Jamaica.

1.28 **Component 2. Facilitating Innovation and Growth for Scalable Startups (€940,000 / US\$1.10 million equivalent).** This component targets scalable startups, defined as MSMEs that have proven the concept of their business model

³² The BIGEE loan, as the parent loan, will be financing two additional subcomponents found in the RM of this project but which is not being financed by the standalone IGR: (i) Subcomponent 1.2. Patent Development and Commercialization; and (ii) Subcomponent 1.3. Capacity Building for Technology Extension Center for MSMEs.

³³ Under this subcomponent, 12% of the US\$8,217,891.52 (EU grant amount exclusive of IDB lead fees) will finance climate change related eligible activities listed in section IV of [OEL#11](#).

³⁴ Private sector firms legally established in Jamaica with at least three years of financial audited statements.

³⁵ The developing of business plans supports the technical feasibility of the proposals, as well as on the legal, technical, and financial aspects, and the hiring of the required experts.

and commercial viability and need support for acceleration given their potential for scaling up. It focuses on gender perspectives and climate change solutions.

- 1.29 **Subcomponent 2.1. Stimulating Deal Flow.** The objective of this subcomponent is to stimulate deal-flow by providing vouchers for acceleration services for scalable startups with a gender-responsive approach to COVID-19 responses that focus on circular economy and climate resilient products and initiatives that include climate eligible activities and projects listed in section IV of [OEL#11](#).³⁶ The voucher programme will: (i) support accelerator institutions in designing and implementing business continuity pilots which address gender specific issues of firms impacted by COVID-19; (ii) promote local Jamaican technology firms to develop and offer digital and/or green technological solutions to climate change; and (iii) strengthen BSIs to provide programmes to create digital capacity of MSMEs, with particular support to women-led firms and/or firms addressing gender issues. Grants for acceleration services are provided to BSIs through a Call for Proposals managed by the Technical Unit (TU) at the DBJ for a maximum of US\$200,000.³⁷
- 1.30 **Subcomponent 2.2. Facilitating Access to Capital for Scalable Startups.** This subcomponent will allocate resources to capitalize a SF for women-led startups. A SF is an investment vehicle available to investors through angel investment groups. The DBJ will provide equity financing to startup companies that have been selected by angel investors and that follow an established set of criteria that includes gender perspective, climate change support and responses to COVID-19 issues. The angel investors will also provide equity funding to the startup companies. They will be guided by Jamaica's existing Venture Capital and Private Equity Policy (VDPEP) (approved in 2015 and updated in 2018) which defines as risk management practices, investment constraints and monitoring and evaluation.³⁸ The invested amount will be a maximum US\$100,000 with a counterpart of 50%.³⁹
- 1.31 Fund managers and angel investors will be provided with gender sensitive training to improve selection methodologies that are geared to increase the understanding of women-led startups. It will encourage startups investing in circular business models and that deliver climate resilient services and products. This component will also address issues relating to women's participation and influence within high tech scalable startups by providing mentoring and networking support to women-led startups in coordination with key actors.

³⁶ 4% of the US\$8,217,891.52 (EU grant amount exclusive of IDB lead fees) of this activity will finance climate change related eligible activities.

³⁷ The Executing Agency's experience in implementing the BIGEE Loan (4860/OC-JA) demonstrates that it is more efficient to manage and monitor this activity by providing acceleration grants directly to select Business Support Intermediaries (BSIs) through a Call for Proposals for a maximum amount of US\$200,000. The BSIs then provide the acceleration support to the firms and report to the DBJ.

³⁸ The IDB-Lab supported this policy through the Jamaica Venture Capital Project.

³⁹ The DBJ's experience indicates that average investment deals have been around US\$200,000. Furthermore, upon the GOJ's review of the sidecar fund modality, the DBJ concluded that it would be lead to more efficient use of resources and would more accurately reflect market conditions to have a 50-50 match with angel investors and the maximum invested amount should be of US\$100,000.

- 1.32 **Component 3. Facilitating Innovation and Growth for High Potential Early-Stage Startups (€3.34 million / US\$3.92 million equivalent).** This component will serve entrepreneurs or MSMEs at an early stage of development that have potentially successful value propositions and that could become scalable startups, with a gender perspective and focus on climate change issues.⁴⁰
- 1.33 **Subcomponent 3.1. Technological Transfer.** This subcomponent will foster the capabilities of the innovation ecosystem⁴¹ to assist entrepreneurs in valuing, transferring and commercializing technology⁴² they have developed. This will be done by providing grants dedicated for open innovation⁴³ activities that propose solutions to identified gender issues and climate change related challenges with a focus on COVID-19 issues. Corporates will be required to undertake a gender audit. Grants for open innovation have a maximum of US\$50,000.
- 1.34 **Subcomponent 3.2. Incubator Support.** The grant programme for incubators will strengthen women-focused incubators and provide women-led firms with incubation support services. Specifically, it will: (i) support incubator institutions in designing and implementing business continuity pilots which address issues of women-led firms impacted by COVID-19; (ii) promote local Jamaican technology firms to develop and offer digital and/or technological solutions; and (iii) strengthen BSIs to provide programmes to create digital capacity of startups with high potential, with particular support to women-led startups and/or startups addressing gender issues. The grants for incubation support will be up to US\$80,000 with a 10% counterpart in cash.
- 1.35 **Subcomponent 3.3 Deal Flow Generation.** This subcomponent includes: (i) strengthening of research institutions; (ii) provision of vouchers for R&D (mission related research, including specific support for women-led research initiatives); (iii) support for academic institutions on entrepreneurship; (iv) training and skills for entrepreneurship which seeks to build soft skills in gender (i.e. promoting gender equality in the workplace, innovative product design that accounts for gender and diversity) and climate change perspectives (i.e. developing innovative climate change mitigation and adaptation products and services); and (v) implementation of digital bootcamps⁴⁴ targeted at women (which includes scholarships and curriculums). The vouchers will range from US\$10,000 to US\$80,000 with a 30% counterpart.
- 1.36 **Beneficiaries.** Beneficiaries of the project include women led MSMEs, scalable startups, new startups with high growth potential and entrepreneurs with

⁴⁰ 7% of the US\$8,217,891.52 (EU grant amount exclusive of IDB lead fees) of this component will finance climate change related eligible activities.

⁴¹ An innovation and entrepreneurship ecosystem is composed of: (i) the private, public and academic sectors and intermediary institutions (business incubators and accelerators); (ii) technology transfer offices; and (iii) investors networks that encourage the development and scale-up of high growth, opportunity-based business ventures, whether from new entrants to the market (entrepreneurs), young, innovative firms (scalable startups), or existing businesses.

⁴² Technology includes technological developments (i.e., the application of tools to solve challenges) in any sector.

⁴³ Open innovation, corporate entrepreneurship, is an organization that goes beyond their own internal knowledge, sources and resources for innovation.

⁴⁴ Digital bootcamps build in demand technological skills (such as data analytics, coding, etc.)

sustainable business ideas that will receive technical and financial support for projects with a gender, climate change or COVID-19 perspective.⁴⁵ It is expected that around 120 women owned firms will benefit from matching grants and technical assistance, while around 150 women entrepreneurs and researches will benefit from the networking and mentoring activities, and 7 climate change related projects and 16 COVID response projects financed. The programme will also benefit public and private institutions that support the innovation and entrepreneurship ecosystem such as incubators, accelerators, academia and technological transfer offices, with projects that show potential to solve problems in areas such as climate change, gender inclusion, and COVID-19 challenges.

- 1.37 **Eligibility criteria for beneficiaries.** There are three types of beneficiaries that must meet eligibility criteria to benefit from the programme: (i) firms; (ii) individual entrepreneurs or inventors; and (iii) ecosystem beneficiaries. Firms must comply with all of the following eligibility criteria: (i) operate as a women-led firm or a firm with a gender perspective initiative; (ii) an entity registered to operate in Jamaica; and (iii) comply with licenses and permits to operate under Jamaican law or be in the process of obtaining them. Following eligibility, call for proposals will prioritize firms based on the following selection criteria: (i) innovative merit; (ii) technological impact; (iii) commercial viability; (iv) coherence in formulation; (v) positive incidence on environmental aspects, including climate change adaptation and mitigation; (vi) positive incidence on gender issues; (vii) positive incidence on post COVID-19 recovery; and (viii) social and environmental sustainability among others.⁴⁶ Individual entrepreneurs and inventors with ideas with high potential for scaling up must be based in Jamaica to be eligible, with priority given to women led and gender perspective initiatives. Ecosystem beneficiaries such as technology extension services providers, accelerators, incubators and technological transfer offices must be registered with the DBJ in order to be eligible for support services through the programme.
- 1.38 Examples of programme activities that will support measures that focus on gender, climate change and COVID-19 include activities that: (i) provide business continuity grants that allow firms to adapt to the new required health and safety conditions; (ii) telecommuting and digital business pilots which takes into consideration gender-based needs; (iii) promote local technology firms to develop and offer telecommuting and digital commerce solutions; (iv) strengthen BSIs to provide programmes to create digital capacity of MSMEs; (v) encourage investment in circular and/or climate resilient innovations (such as green technologies⁴⁷ that support water and energy efficiency efforts); (vi) solutions based approach to research activities; and (vii) support programmes that improve firms' ability to respond to the impacts of COVID-19 and to be more resilient to future crises and pandemics. The programme will address the gender gap in TEA through service delivery models adapted to the needs of women entrepreneurs (communication, mentoring, advisors, peer networks, and childcare support). On the demand side, a more diverse group in decision making will be encouraged,

⁴⁵ The activities will promote participation of women led firms but also encourages solutions and innovations that improve women's issues as well as climate change and COVID-19 related challenges.

⁴⁶ See [OM](#).

⁴⁷ Green technologies can aim to reduce pollution, waste, and global warming, and thus, the impacts of climate change.

seeking a more diverse management structure.⁴⁸ Climate change activities to be financed include energy efficiency, renewable energy, resource management, water management and sustainable agriculture among others.

- 1.39 The activities of Component 1, 2, and 3 will be carried under the call for proposals modality as well as through an Open Window Panel (OWP) at the DBJ. An independent Technical Expert Panel (TEP) comprised by experts with technical knowledge related to the nature of call for proposals will carry out the selection process under an established set of criteria. The TEP will review and make recommendations on matching grants above US\$50,000. The OWP will review matching grants below US\$50,000 that are submitted on a rolling call basis (with the exception of the SME Innovation Fund despite providing grants higher than US\$50,000) and will be comprised of two members of the public sector and one from the private sector. The roles and responsibilities of the TEP and the OWP are described in the [OM](#). Expenditures to be funded must take into consideration the list of IDB's excluded activities, as well as the Article 18 of Pagoda and the EU restrictive measures.⁴⁹
- 1.40 **Other costs and IDB lead fees project administration and management.** The IGR will complement project administration and management with €820,000 (US\$962,667.29 equivalent) in resources for procurement of a gender specialist and a climate advisor to the programme, technical capacity strengthening of the DBJ in the areas of managing climate change financed projects, gender responsive design (including training in gender auditing, implementation, and management of programmes), and gender and climate specific sensitization and preparation for take up under the components. €400,000 (US\$469,593.80 equivalent) will be allocated from the EU-CIF for the IDB lead fees.

C. Key results indicators

- 1.41 **Expected results.** The expected outcomes of the programme are to: (i) promote innovation and productivity among established MSMEs with high growth potential; (ii) promote sustainable growth in scalable startups; and (iii) create a sustainable pipeline of high-growth potential startups. Expected outcome indicators are higher investment in research, development, and innovation (R&D&I)/sales for benefitted MSMEs; faster growth (in annual sales and annual labor force) for participating MSMEs and scalable startups; and higher start up rates (% of new startups at ideation phase that begin operations) for participants with high growth potential. Extension services providers, incubators, and accelerators will be strengthened. 22.86% (approximately US\$1,878,375.21/€1,600,000.00) of the operation's total resources will finance climate related activities.
- 1.42 **Cost Benefit Analysis (CBA).** The programme is expected to generate a positive social return through benefits stemming from improvements in the innovative and productive performance of beneficiary firms and startups. In the baseline scenario, and using a 12% discount rate, the programme's estimated Net Present

⁴⁸ Evidence shows that more diverse-owned/managed private equity firms tend to invest more often in diverse companies and generate higher internal rates of return (IRR) (16.15% vs 11.3%). National Association of Investment Companies (2018).

⁴⁹ See [PRAG](#).

Value (NPV) is US\$10.59 million, and its internal rate of return is 27%. The cost/benefit analysis conducted for the first three components met with favorable results in all cases. The sensitivity analysis shows that the distribution of NPV is positive even under the most conservative scenarios, see [Economic Analysis](#).

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 This IGR has been designed under the modality of non-reimbursable Global Credit Programme given that financial resources will be provided to MSMEs to finance projects in sectors that promote economic and social development. The EU-CIF will provide funds for this IGR operation for €7,400,000.00 (inclusive of fees) equivalent to US\$8,687,485 using the exchange rate €0.8518 per US\$1 used on August 24, 2021. EU contribution payments will be made in Euros (€), and immediately converted to US Dollars when received by the Bank's Finance Department. The Finance Department of Jamaica will inform the project team of the exchange rate at which each contribution is converted.

Table 1. Summary of programme costs

Components	Total Investment (Euros)	US Dollars ⁵⁰	%
Component 1. Innovation and Growth for Established MSMEs	1,900,000.00	2,230,570.56	27
Subcomponent 1.1. Investment in Innovation in MSMEs	1,900,000.00	2,230,570.56	27
Component 2. Facilitating Innovation and Growth for Scalable Startups	940,000.00	1,103,545.43	13
Subcomponent 2.1: Stimulating Deal Flow	300,000.00	352,195.35	4
Subcomponent 2.2: Facilitating Access to Capital for Scalable Startups	640,000.00	751,350.08	9
Component 3: Facilitating Innovation and Growth for High Potential Early-Stage Startups	3,340,000.00	3,921,108.24	48
Subcomponent 3.1. Technological Transfer	600,000.00	704,390.70	9
Subcomponent 3.2. Incubator Support	1,600,000.00	1,878,375.21	23
Subcomponent 3.3. Deal Flow Generation	1,140,000.00	1,338,342.33	16
Programme Administration and Management	820,000.00	962,667.29	12
TOTAL	7,000,000.00	8,217,891.52	100
EU-CIF Fees	400,000.00	469,593.80	100
TOTAL + Fees	7,400,000.00	8,687,485.33	100

- 2.2 **Implementation period.** It is expected that all resources will have a five-year disbursement period due to factors such as the following: (i) the expected size of annual fiscal space allocations to the programme; and (ii) expected initial start-up period which will require the DBJ to adapt its internal governance system to EU policies and measures. Grant resources are to be executed within 60 months from the effective date of the grant agreement. See [REL#1](#) for expected total

⁵⁰ The exchange rate used on August 24, 2021, was €0.8518 to one US\$1.

disbursements. Table 2 shows total disbursements (inclusive of IDB lead fees) over the five-year period as follows:

Table 2. Projected IGR operation disbursements

Disbursement	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Total EUR (€)	1,290,000	2,230,000	2,290,000	1,120,000	470,000	7,400,000
Total US\$ Equivalent	1,514,440	2,617,985	2,688,425	1,314,863	551,773	8,687,485
%	17.4	30.1	30.9	15.1	6.4	100

B. Environmental and social safeguard risks

- 2.3 According to the directives of the Environmental and Safeguards Compliance Policy (GN-2208-20) and based on Directive B.3 of the Environment and Safeguards Compliance Policy (OP-703) the project is classified as Category B.13. The programme is classified as a financial intermediary and as such is not categorized according to its potential Environment and Social (E&S) impacts and risks. The programme will not support projects that have significant negative environmental and social impacts that could be classified as Category A or B nor any activities which fall under the exclusion list.
- 2.4 The E&S Strategy for the for the loan Boosting Innovation, Growth and Entrepreneurship Ecosystems Programme ([4860/OC-JA](#)), will also be used for this programme, including personnel at DBJ whose duties include the screening and classification of individual loans to entrepreneurs or firms for projects based on their socioenvironmental impact and risk based on World Bank Environmental and Social Framework, and that carry out socio-environmental supervision of the projects including site visits. The DBJ is complying with the IDB's Safeguard Policies and will submit an environmental and social compliance report each year. The OM incorporates the list of excluded activities from the Bank and the requirement that all the projects to be supported by the programme have to be in compliance with national legislation and have a valid environmental license if applicable. As stated in the [E&S Strategy](#), the programme will not finance any of the activities on the List of Excluded Activities of the IDB, nor any activity that may pose a negative impact in protected areas, natural or critical natural habitats, cultural heritage sites, or introduction of invasive species, nor that would cause involuntary resettlement or economic displacement, see [OM](#).

C. Fiduciary risk

- 2.5 An institutional capacity analysis was conducted on the DBJ using the Bank's methodology Responsible Accountable Consulted Informed (ICAP/RACI). The Bank analyzed DBJ's institutional capacity, information system and internal and external control. The evaluation indicates low fiduciary risk, and as such, it is believed that the DBJ, based on the current structures and fiduciary systems in place, and the recently established TU, will have the capacity to execute the programme.

D. Other risks and key issues

- 2.6 **Governance system risk.** The medium-high risk of not having sufficient demand and quality projects with high growth potential due to the impact of COVID-19 on firms will be mitigated by including resources for COVID-19 support, deal-flow generation and resources for awareness and diffusion ¶1.40.
- 2.7 **Sustainability.** Following the support of the BIGEE loan, the strengthening of the role of the DBJ as a catalytic actor in the ecosystem will be continued under the IGR in order to provide the necessary medium and long-term sustainability encouraging the successful participation of entrepreneurs, private investors and other stakeholders such as academia, public sector and other donor agencies. In this regard, the programme will finance several awareness and diffusion campaigns, as well as events to showcase success stories and lessons learned, see ¶1.26-¶1.35.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 **Beneficiary and the EA.** The Beneficiary of this IGR operation will be the Republic of Jamaica. The DBJ, as the EA, will execute the programme through a specially created TU, which reports to the Managing Director. The DBJ currently executes the BIGEE loan ([4860/OC-JA](#)) which, despite the impact of the pandemic on the initial pace of implementation, has a disbursed total amount of US\$1,004,013 (4.02% as of November 2021) and which in 2020 had a satisfactory performance classification, also taking into account the DBJ's implementation track record (¶3.2 and Annex III).
- 3.2 The DBJ is a development finance institution that aims at promoting private sector development and inclusive economic growth in Jamaica. The DBJ reports to the Office of the Prime Minister and its shareholder is the Accountant-General. The DBJ has two main areas of action: (i) to provide funding and technical assistance to large projects; and (ii) to support MSMEs, including financial services and non-reimbursable assistance. The DBJ has a track record of working with the IDB, having carried out several prior operations (such [4115/OC-JA](#) and [ATN/ME-15282-JA](#); ¶1.22), satisfactorily in terms of both operational achievements and institutional capacity.
- 3.3 The TU will be in charge of coordinating this operation's activities with participating government ministries/agencies, procurement execution (including the hiring of external auditors), contract supervision, internal control and financial management, including the submission of disbursement requests, preparation and submission of audited financial statements, and compliance with local and IDB and EU environmental requirements. The Bank will manage disbursement requests and reporting the progress of the project according to the terms agreed in the EU-IDB FFPA.

- 3.4 In addition to the existing Programme Steering Committee (PSC),⁵¹ the IDB and the EU will establish a participation mechanism to oversee the strategic development of the programme: A Strategic Monitoring Committee (SMC), in which the IDB, the DBJ and the EU will meet at least twice a year (or more as deemed necessary) to discuss the programme's progress and to ensure compliance with the EU and IDB's fiduciary obligations. The DBJ's TU will act as a secretary to the SMC and is responsible for coordinating the operation of the SMC; generating all required reports to report on the progress of activities, programme allocation, and annual plans; distributing invitations to SMC members indicating the issues to be addressed during the meeting; and drafting minutes, which must contain all of the agreements reached during the session, their contents, the opinions presented. The SMC takes decisions by consensus.
- 3.5 **Special contractual clauses prior to first disbursement: The Beneficiary will provide evidence to the satisfaction of the Bank of the following: (i) that the TU of the BIGEE Loan, as well as the Programme Manager, Financial Specialist and Procurement Specialist, have the authority to execute this programme; (ii) that the OM of the BIGEE Loan, which has been updated to include the execution of this operation, including the E&S Strategy, has been approved and entered into force in accordance with the terms and conditions previously agreed with the Bank; and (iii) that the agreement between the Beneficiary and the EA for the transfer of the resources of this operation together with project implementation obligations has been signed and entered into effect.** These conditions will allow the EA proper execution of the programme by having in place the necessary staff to implement the programme, an OM that details the guiding principles for execution and coordination of activities, and an agreement that provides clear guidelines for the management of resources of the operation.
- 3.6 **Procurement.** The procurement of works, goods, services and consultancy services shall be done in accordance with Bank's policies for the procurement of goods and works (GN-2349-15) and for the selection and contracting of consultants (GN-2350-15), in accordance with the 2020 EU-IDB FFPA which establishes the following exceptions to such policies (approved by the Bank under document GN-2605-5, paragraphs 4.14 and 4.15) in order: (i) to allow goods, works or services originating from or rendered by nationals from IDB non-member countries be eligible for procurement activities under this operation, provided that the country of origin of the goods and the nationality of the suppliers, contractors and service providers is recognized as eligible by the EU under its applicable regulations. The EC publishes the list of eligible countries (or any updates thereto) as an annex to the "Practical Guide to Contract Procedures for EU External Actions" (PRAG), which is available on its Internet website;⁵² (ii) to extend the retention period of project documentation required for executing agencies and the

⁵¹ The PSC is headed by the DBJ and includes: Public Sector: MICAF, The Ministry of Science, Energy and Technology (MSET) and Jamaica Export Promotion Agency (JAMPRO). Private Sector: Private Sector Organization of Jamaica (PSOJ), Caribbean Alternative Investment Association (CARAIA); MSME Alliance. Academia: University of West Indies (UWI) Mona/Mona Business School, University of Technology (UTECH).

⁵² See [PRAG](#).

Bank, from three years to five or more years⁵³ and (iii) prevent awarding contracts to entities, individuals or groups of individuals subject to restrictive measures.⁵⁴ Additionally, the Bank Policy for use of country systems, as may be amended from time to time, applies as long as it complies with the EU extended requirements. The [Procurement Plan](#) includes details on procurement for the first 18 months of execution. Activities may be amended accordingly, by agreement between the EA and the Bank. The TU will update the Procurement Plan at least once every 12 months. The Procurement Supervision method will require the ex ante revision. Expenditures to be funded take into consideration the list of IDB's excluded activities, as well as the Article 18 of Pagoda and the EU restrictive measures, see [OM](#).

- 3.7 **Other EU requirements.** The Beneficiary shall execute a Communication and Visibility Strategy ([OEL#9](#)), in order to publicize the fact that the Project has received funding from the EU. In addition to Bank eligibility rules, expenditures financed by EU resources shall meet specific EU criteria set forth in the Contribution Agreement. If the EU determines that the resources of their EU Contribution have been unduly paid or incorrectly used by the Beneficiary, the EA or their contractors, the EU may recover such funds from the Bank, who will, in turn, have the right to recover them from the Beneficiary.
- 3.8 Every year during the implementation of the programme, the TU will present an Annual Operation Plan (AOP) to the Bank for its no-objection. The AOP will detail the programme's progress and execution of activities including goals, results, budget, and implementation schedule for the year ahead. The Pluriannual Execution Plan (PEP) details the programme's progress and implementation schedule for the outstanding years of the loan. An initial [AOP](#) and [PEP](#) were prepared for the first year of programme execution.
- 3.9 **External control and reporting.** The EA is required to submit an annual report for each Reporting Period, which will be defined in the Contribution Agreement. The reports should include both a narrative and financial component that cover the totality of the Project, regardless of whether it is totally or partially financed with EU funds. Annually, only one set of reports and one audit covering the entire programme will be conducted. The same applies to progress reports and project evaluations. The annual progress reports are required to be submitted before the Bank within 30 days from the close of the Reporting Period. The final report will need to be submitted before the Bank, at the latest, 90 days following the close of the Implementation Period of the Project, so the latter can forward it to the European Commission within the agreed term.
- 3.10 The EA is required to submit to the Bank the following reports audited by an independent auditor acceptable to the Bank and hired following the Bank guidelines set in the Bank's Financial Management Guidelines (OP-273-6) and Financial Reports and External Audits Handbook for Bank financed operations: (i) Audited Financial Statements of the Project (AFSP); and (ii) an

⁵³ Documentation shall only be retained after the period of five years if, before the expiration of such period the Bank is notified of an on-going audit, verification or investigation by the OLAF, or a claim directly related to the activities financed by the EU.

⁵⁴ [EU Sanctions Map](#).

assurance report with respect to the internal controls of the EA.⁵⁵ The AFSP must cover the resources provided by the EU as well as the resources from any other source that are being used to finance the Project. The assurance report shall state whether the existing control systems work correctly and if the underlying operations are managed per the provisions of this Agreement. The AFSP and internal control report must be submitted within 90 days from the closing date of the fiscal year of the EA, or the close of the Implementation Period of the Project, as may be applicable. The reports must be submitted in US Dollars and its equivalent in Euros (€).

B. Summary of arrangements for monitoring results

- 3.11 The programme has a [Monitoring and Evaluation Plan \(MEP\)](#) which includes annual progress report and evaluation.
- 3.12 **Semi-annual progress report.** The EA, through the TU, will send the Bank semi-annual progress reports to be submitted no later than 30 days after the end of the reporting period defined in the Contribution Agreement. Semi-annual progress reports will explain the degree of fulfillment of the output indicators and progress toward the outcomes of the RM making it possible for the Bank to monitor these indicators using the Bank's Project Monitoring Report tool. Based on the semi-annual progress reports, an annual report will be prepared consolidating all information collected during the year, including audited financial statements, disbursement requests, the management declaration, the [PEP](#), [AOP](#), [Procurement Plan](#), and progress on BIGEE loan execution and in accordance with EU reporting requirements. Also, the TU will prepare annual reports concerning their environmental and social performance with respect to the Bank and EU policies and directives. The Bank will have the option to conduct supervision of the environmental and social performance of the overall programme, throughout its duration. The EU reserves the right to conduct independent Results Monitoring Missions and EU entities (e.g., European Anti-Fraud Office (OLAF) Court of Auditors) may conduct reviews/audits. The Project Completion Report (PCR), for both the BIGEE loan and the IGR, will include information from the programme's final evaluation.
- 3.13 **Evaluation.**⁵⁶ Programme evaluations and PCR will be common to both the parent loan ([4860/OC-JA](#)) and this IGR (JA-G1006). There is only one RM for both operations. Thus, there will be one set for both operations as allowed by the PCR guide in the case of grants that fully support a parent loan. Programme evaluation will be coordinated by the DBJ, following the MEP guidelines. An intermediate evaluation will be carried out⁵⁷ and presented to the IDB within six months, after two years from the first disbursement or when 50% of the loan resources have been disbursed, whichever occurs first. The final evaluation will be coordinated with the preparation work of the PCR. The evaluation will be presented to the IDB within 90 calendar days from the date on which 100% of the loan proceeds have been disbursed and will have the following objectives: (i) verify the degree to which the indicators specified for the programme's general objectives have been

⁵⁵ The costs for the audits will be financed with resources from the BIGEE loan operation.

⁵⁶ The programme evaluation will be financed through the BIGEE operation.

⁵⁷ See [MEP](#).

attained; (ii) evaluate the implementation of the different components and instruments relative to the targets specified in the RM; and (iii) identify lessons learned for application in future projects. The final impact evaluation will analyze the impact using both experimental and non-experimental techniques based on random assignment and regression discontinuity design with randomization inference, as detailed in the [MEP](#).

Development Effectiveness Matrix		
Summary		JA-G1006
I. Corporate and Country Priorities		
Section 1. IDB Group Strategic Priorities and CRF Indicators		
Development Challenges & Cross-cutting Issues	-Productivity and Innovation -Gender Equality and Diversity -Climate Change -Institutional Capacity and the Rule of Law	
CRF Level 2 Indicators: IDB Group Contributions to Development Results	-Jobs supported (#) -Micro / small / medium enterprises financed (#) -Enterprises provided with technical assistance (#) -Women beneficiaries of economic empowerment initiatives (#) -Agencies with strengthened digital technology and managerial capacity (#)	
2. Country Development Objectives		
Country Strategy Results Matrix	GN-2868	2.2. Facilitate Access to Finance for SMEs
Country Program Results Matrix		The intervention is not included in the 2021 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
II. Development Outcomes - Evaluability		
		Evaluable
3. Evidence-based Assessment & Solution		9.8
3.1 Program Diagnosis		2.5
3.2 Proposed Interventions or Solutions		3.5
3.3 Results Matrix Quality		3.8
4. Ex ante Economic Analysis		9.0
4.1 Program has an ERR/NPV, or key outcomes identified for CEA		1.5
4.2 Identified and Quantified Benefits and Costs		3.0
4.3 Reasonable Assumptions		2.5
4.4 Sensitivity Analysis		2.0
4.5 Consistency with results matrix		0.0
5. Monitoring and Evaluation		10.0
5.1 Monitoring Mechanisms		4.0
5.2 Evaluation Plan		6.0
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood		Medium Low
Environmental & social risk classification		B.13
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget, Accounting and Reporting, Internal Audit. Procurement: Information System.
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	JA-T1164 (ATN/CO-17246-JA) "Support to Jamaica's Innovation Ecosystem for Promoting Innovative Firms" strengthened the Development Bank of Jamaica's (DBJ) capacity for execution of the loan program.

In Jamaica, total factor productivity (TFP) has decreased by 1.6% per year since the year 2000. There is evidence that innovation can foster growth and productivity, and that a strong ecosystem geared toward innovation can help circumvent the high perceived risk of innovative investment. SMEs provide a crucial source of employment in the country and their productivity growth is below that of Caribbean peers, with Jamaican businesses innovating less. Only 12% of surveyed Jamaican firms are innovating (compared to 46% for Suriname or 24% for Trinidad & Tobago). The economy is classified as 72nd out of 126 countries in the Global Innovation Index. Jamaica has an incipient ecosystem which already has the legislative basis for some of its key elements (such as legislation for venture capital, to name just one example). An analysis of the Jamaican ecosystem finds weaknesses including in the support available to enterprises at the ideation stage and a lack of accelerators that cater to high-potential entrepreneurs. To address this, the program JA-G1006 is an investment grant that will complement the loan JA-L1085 approved in 2019 and that shares its same objectives. The program's specific objectives are to: (i) promote innovation and productivity among established MSMEs with high growth potential; (ii) promote growth of startups with high potential for scalable growth; and (iii) create a sustainable pipeline of high-growth potential startups. The additional grant financing will contribute to focusing the program's intervention in 3 areas: gender, both through the prioritization of women-led firms as well as through adapting a gender adequate response to health challenges faced by firms such as those presented by the pandemic; as well as climate change focus, and a focus toward firms' COVID-19 response. Speaking in general terms, this will be accomplished via matching grants for investments in innovation, voucher programs through accelerators, a venture capital fund, and the strengthening of incubators. The Results Matrix adequately captures project benefits like for example increases in investment levels in Research & Development, the percent of new startups that begin operations, and annual labor force of scalable startups; to name just a few. The cost-benefit analysis shows the project is a net benefit to society. At closure, four impact evaluations will be used to assess attribution of results. One will employ a pairwise matching randomized control trial (for vouchers for technological extension), and the others regression-discontinuity design with randomized inference.

RESULTS MATRIX¹

Project Objective:	The specific objectives are to: (i) promote innovation and productivity among established MSMEs with high growth potential; (ii) promote sustainable growth in scalable startups; and (iii) create a sustainable pipeline of high-growth potential startups. The general objective to promote sustainable and robust growth among MSMEs in Jamaica.
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EXPECTED IMPACT

Indicators	Unit of Measure	Baseline Value	Baseline Year	End of Project 2025	Means of Verification	Observations
General Objective: Promote sustainable and robust growth among startups and MSMEs in Jamaica						
Annual Value Added of Average MSME	Real Jamaican Dollars (JMD) million	56.69	2018	68.03	Innovation survey	See Table 2 in the MEP
Annual Value Added of Average Scalable Startup	Real JMD million ²	3.4	2018	10.04	Start-Up Survey	

EXPECTED OUTCOMES

Indicators ³	Unit of Measure	Baseline Value	Baseline Year	End of Project 2025	Means of Verification	Observations
Specific Development Objective 1. Promote innovation and productivity among established MSMEs with high growth potential						
Investment In Research, Development and Innovation/Sales	Ratio	0.008	2014	0.06	Innovation survey	See Table 2 in the MEP
Annual Sales of Average MSME	Real JMD Million	165.4	2018	193.5		

¹ The Results Matrix (RM), programme evaluations and PCR will be common to both the parent loan (4860/OC-JA) and to the investment grant (JA-G1006). Thus, there will be one set for both operations as allowed by the PCR guide in the case of grants that fully support a parent loan.

² Unit of measurement is expressed in national currency in real terms as opposed to traditional USD unit of measurement in order to prevent distortions induced by currency devaluation. Nominal figures originally expressed in national currency were deflated using the CPI (base December 2010) reported by the World Bank.

³ For all outcome indicators, attributable effectiveness will be tested by comparison with control units as explained in the [MEP](#). All baseline and target values coming from innovation surveys are indicated as “tbd” in the RM as they will be updated in case the innovation survey PROTEqIN 2019 or a baseline based on applications of the first cohort of actual beneficiaries becomes available by the time of the kickoff workshop. Alternatively, values coming from PROTEqIN 2014 updated with the information of Jamaican applicants to the innovation line of Compete Caribbean will be used as indicated in the [MEP](#) and the [Economic Analysis](#).

Indicators ³	Unit of Measure	Baseline Value	Baseline Year	End of Project 2025	Means of Verification	Observations
Annual Labor Force of Average MSME	Number of Workers	85	2018	91		
Specific Development Objective 2. Promote sustainable growth in scalable start-ups						
Annual Sales of Average Scalable Startup	Real JMD Million	11.86 ⁴	2018	23.91 ⁵	Start-Up Survey	See Table 2 in the MEP
Annual Labor Force of Average Scalable Startup	Number of Workers	9	2018	13		
Specific Development Objective 3. Create asustainable pipeline of high-growthp start-ups						
% of New Startups (at Ideation Phase) that Begun Operations	%	10	2017	41	Start-Up Survey	See Table 2 in the MEP

OUTPUTS

Products ^{6,7}	Estimated Cost (US\$)	Unit	Baseline (2020)	2021	2022	2023	2024	2025	Final Goal	Means of Verification
Component 1. Innovation and Growth for Established MSMEs										
Subcomponent 1.1. Investment in Innovation in MSMEs										
1.1.1 Research Development and Innovation (R&D&I) Projects Financed through the MSME Innovation Fund	3,404,391	Financed Projects	1	1	6	7	7	5	26	Annual Report of TU for the Programme
1.1.2 Climate Change Related Research Development and Innovation (R&D&I) Projects Financed through the MSME Innovation Fund ⁸	704,390		0	0	0	1	2	2	5	
1.1.3 Public Innovation Goods for Clusters Financed	3,010,261		2	2	2	3	3	1	11	

⁴ US\$138,000 converted to Jamaican dollars using 2020 exchange rate and CPI with base 2010.

⁵ US\$273,000 converted to Jamaican dollars using 2020 exchange rate and CPI with base 2010.

⁶ All products will be gender disaggregated in the case of grants, vouchers for technical assistance, and training provided to firms (women-led firms) and individual entrepreneurs (women entrepreneurs). Institutional strengthening activities, such as strengthened extension centers, will not be gender disaggregated.

⁷ The BIGEE loan, as the parent loan, will be financing two additional subcomponents found in the RM of this programme but which are not being financed by the EU grant: (i) Subcomponent 1.2. Patent Development and Commercialization; and (ii) Subcomponent 1.3. Capacity Building for Technology Extension Center for MSMEs.

⁸ Product 1.1.2 holds the underlying assumption that the effectiveness of the product is similar to that of product 1.1.1.

Products	Estimated Cost (US\$)	Unit	Baseline (2020)	2021	2022	2023	2024	2025	Final Goal	Means of Verification
1.1.4 Climate Change Related Public Innovation Goods for Clusters Financed ⁹	234,796	Financed Projects	0	0	0	1	1	0	2	Annual Report of TU for the Programme
Subcomponent 1.2. Patent Development and Commercialization										
1.2.1 Technology Prospection Analysis Financed	600,000	Financed Prospection analysis	0	20	20	0	0	0	40	Annual Report of TU for the Programme
1.2.2 Patenting Matching Grants for SMEs Financed	750,000	Financed Patents	0	0	5	10	10	0	25	
Subcomponent 1.3. Capacity Building for Technology Extension Centers for MSMEs										
1.3.1 Strengthened Extension Centers	700,000	Strengthened Extension Centers	0	0	0	2	0	0	2	Annual Report of TU for the Programme
1.3.2 Vouchers for Extension Services Financed	750,000	Financed Vouchers	362	0	0	50	50	50	150	
1.3.3 Strengthened Service Providers	150,000	Strengthened Providers	0	0	25	25	0	0	50	
Component 2. Facilitating Innovation and Growth for Scalable Startups										
Subcomponent 2.1. Stimulating Deal Flow										
2.1.1 Strengthened Acceleration Centers	750,000	Strengthened Accelerators	0	0	2	1	0	0	3	Annual Report of TU for the Programme
2.1.2 Acceleration Services for Scalable Start-ups Financed	1,840,000	Financed Projects	0	18	24	24	18	-	83	
2.1.3 COVID Response for Start-ups (Climate and Gender Perspective)	352,195		0	4	4	4	3	-	16	
Subcomponent 2.2. Facilitating Access to Capital for Scalable Startups										
2.2.1 Venture Capital Fund for Scalable Start-ups	4,900,000	Capitalized Fund	0	0	0	1	0	0	1	Annual Report of TU for the Programme
2.2.2 Sidecar Fund to Leverage Angel Investors	1,500,000		0	1	0	0	0	0	1	
2.2.3 Mentoring and Networking for women-led Start-ups	234,797	Projects with Mentoring	0	2	4	4	0	0	10	

⁹ Product 1.1.4 holds the underlying assumption that the effectiveness of the product is similar to that of product 1.1.3.

Products	Estimated Cost (US\$)	Unit	Baseline (2020)	2021	2022	2023	2024	2025	Final Goal	Means of Verification
Component 3. Facilitating Innovation and Growth for High Potential Early-Stage Startups										
Subcomponent 3.1. Technological Transfer										
3.1.1 Strengthened Tech-Transfer Office	400,000	Strengthened Tech Transfer Office	0	0	1	0	0	0	1	Annual Report of TU for the Programme
3.1.2 Vouchers for Corporate Entrepreneurship Services and Capacities (Open Innovation)	200,000	Financed Projects	0	0	1	1	1	0	3	
3.1.3 Vouchers for Open Innovation for Gender Issues	352,195		0	1	2	1	0	0	4	
3.1.4 Vouchers for Open Innovation for Climate Change Related COVID-19 Activities	352,195		0	1	2	1	0	0	4	
Subcomponent 3.2. Incubator Support										
3.2.1 Strengthened Incubation Centers	500,000	Strengthened Incubators	3	1	0	0	0	0	4	Annual Report of TU for the Programme
3.2.1 Strengthened Incubation Centers – Women Focused	469,594		0	1	0	0	0	0	1	
3.2.2 Vouchers for Incubation Services Financed	584,797	Financed Projects	12	5	17	26	17	0	65	
3.2.3 Projects Financed Through Seed Capital Fund	1,800,000		27	14	17	17	21	1	70	
3.2.3 Projects Financed Through Seed Capital Fund – Women Focused	586,992		0	5	6	5	7	0	23	
3.2.4 Mentorship for Women Entrepreneurs	117,398	Mentored Women	0	4	4	4	4	4	20	

Products	Estimated Cost (US\$)	Unit	Baseline (2020)	2021	2022	2023	2024	2025	Final Goal	Means of Verification
3.2.5 Networking for Women Entrepreneurs	117,398	Mentored Women	0	4	4	4	4	4	20	Annual Report of TU for the Programme
3.2.6 Women Targeted Diffusion and Awareness	117,398	Targeted Women	0	5	4	4	4	4	21	
3.2.7 Recognition Awards for Outstanding Women-led Startups	284,797	Projects Recognized	0	4	7	11	12	4	38	
3.2.8 Promotional Events and Awards	175,000	Organized Events	10	1	1	1	1	1	5	
Subcomponent 3.3. Deal Flow Generation										
3.3.1 Research Centers Strengthened	223,057	Research Centers	0	0	0	1	0	0	1	Annual Report of TU for the Programme
3.3.2 Vouchers for Research and Development	176,098	Vouchers	0	0	4	4	4	0	12	
3.3.3 Women-led Research Initiatives	176,098	Financed Initiatives	0	0	2	4	3	0	9	
3.3.4 Academic Institutions on Entrepreneurship Supported	176,098	Supported Institutions	0	0	1	1	0	0	2	
3.3.5 Events on Training and Skills for Entrepreneurship (Gender and Climate Perspective)	234,797	Organized Events	0	0	1	1	0	0	2	
3.3.6 Digital Skills and Bootcamps	234,797		0	0	1	1	0	0	2	
3.3.7 Events on gender Focused Digital Skills	117,398		0	1	1	0	0	0	2	
Deliverables related to other costs. Programme Administration and Management										
4.1 Strengthened Executing Agency	2,650,000	Strengthened Executing Agency	0	0	0	0	0	1	1	Annual Report of TU for the Programme
4.2 Policy for Productivity and Innovation Assessment and Recommendation	437,838	Policy Drafted	1	0	0	0	0	1	1	
4.3 Policy for Strengthening Gender Mainstreaming in the DBJ	187,838		0	0	0	0	0	1	1	
4.4. Monitoring and Evaluation, Audits, Midterm Evaluation	250,000	Annual Reports Delivered	0	1	1	1	1	1	5	
4.4. Strengthened Systems and Equipment for Data Analytics	644,797	Strengthened Systems	0	0	0	0	0	1	1	

Products	Estimated Cost (US\$)	Unit	Baseline (2020)	2021	2022	2023	2024	2025	Final Goal	Means of Verification
4.5 Sensitization and Preparation for Take Up of Components 1, 2 and 3	977,195	Annual Sensitization and Outreach Campaigns Deployed	0	1	1	1	1	1	5	Annual Report of TU for the Programme

Country: Jamaica **Division:** IFD/CTI **Operation No.:** JA-G1006 **Year:** 2021

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Executing Agency (EA): Development Bank of Jamaica Limited (DBJ)

Operation Name: Boosting Innovation, Growth and Entrepreneurship Ecosystems in Jamaica

I. FIDUCIARY CONTEXT OF EXECUTING AGENCY

1. Use of country system in the operation¹

<input checked="" type="checkbox"/> Budget	<input type="checkbox"/> Reports	<input checked="" type="checkbox"/> Information System	<input type="checkbox"/> National Competitive Bidding (NCB)
<input type="checkbox"/> Treasury	<input checked="" type="checkbox"/> Internal audit	<input type="checkbox"/> Shopping	<input type="checkbox"/> Others
<input checked="" type="checkbox"/> Accounting	<input type="checkbox"/> External Control	<input type="checkbox"/> Individual Consultants	

2. Fiduciary execution mechanism

<input checked="" type="checkbox"/>	Co-Financing	This programme is co-financed by the EU. As such, specific rules as described in the Contribution Agreement and its Annexes will be applied.
<input checked="" type="checkbox"/>	Particularities of the fiduciary execution	The DBJ will be responsible for the fiduciary management of this project. In addition to the IDB fiduciary policies and guidelines, the programme shall comply with the applicable EU fiduciary terms conditions.

3. Fiduciary capacity

Fiduciary Capacity of the EA	<p>An institutional capacity analysis was conducted on the DBJ using the Bank's methodology Responsible Accountable Consulted Informed (ICAP/RACI) which indicated low fiduciary risk. As such, it is believed that the DBJ, based on the current structures and fiduciary systems in place, and the recently established TU, will have the capacity to execute the programme.</p> <p>The EA, the DBJ, has a track record in the implementation of projects placed under its responsibility. These projects include the IDB's financed Credit Enhancement Program for MSMEs (4115/OC-JA), Promoting Financial Inclusion in Jamaica through Mobile Money for Micro-Finance (ATN/ME-14598-JA) and Supporting the Development of an Entrepreneurial and Early Stage Ecosystem in Jamaica (ATN/ME-15282-JA). (See Main Document paragraph 3.2)</p>
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¹ Any system or subsystem that is subsequently approved may be applicable to the operation, in accordance with the terms of the Bank's validation).

4. Fiduciary risks and risk response

Risk Taxonomy	Risk	Risk Level	Risk Response
Institutional	Due to the fact that there are additional complexities involved in EU procurement, disbursement and financial reporting procedures, execution could be delayed.	Medium-low	Provide training to the executing agency on EU procurement, disbursement, and financial reporting processes in order to be compliant with EU rules. Responsible party: IDB
Internal Processes	Due to the fact that the EU procurement policies require 100% compliance to not trigger fund recovery, the available funds for the project could be affected.	Low	Provide training to the EA procurement officer and share the Country Office's (COF) previous experiences.

5. Policies and Guides applicable to operation

The procurement processes financed in full or in part by Bank resources will be conducted in accordance with the Policies for the Procurement of Goods and Works Financed by the IDB (GN-2349-15) and the Policies for the Selection and Contracting of Consultants Financed by the IDB (GN-2350-15), or those in effect at the time of project execution.

Table 2. Country threshold table (US\$ Thousands)²

International Competitive Bidding Threshold *		National Competitive Bidding Range ** (Complex Works and Non-Common Goods)		Consulting Services
Works	Goods	Works	Goods	International Short List
≥1,500,000	≥150,000	150,000 – 1,500,000	25,000 -150,000	≥200,000

Note: Ex post and ex ante review are applicable based on the capacity of the Technical Unit and complexity of procurements. These methods may be adjusted by the Bank, as capacity is improved, based on supervision visits, and as agreed with the Programme Executing Unit.

6. Exceptions to policies and rules

In accordance with the EU-IDB Financial Framework Partnership Agreement (FFPA) from 2020 (GN-2605-5, 4.14 and 4.15) which establishes exceptions to the Bank's policies: (i) to allow that goods, works or services originating from or rendered by nationals from IDB non-member countries be eligible for procurement activities to be financed with resources contributed by the EC under the FFPA, provided that the country of origin of the goods and the nationality of the suppliers, contractors and service providers is recognized as eligible by the EU under its applicable regulations. The EU publishes the list of eligible countries (or any updates thereto) as an annex to the Practical Guide to Contract Procedures for EU External Actions (PRAG), which is available on its Internet website;³ (ii) to extend the retention period of project documentation required for executing agencies and the Bank, from three years to five or more years; and (iii) to recognize EU Restrictive Measures as an eligibility requirement to prevent awarding contracts to entities, individuals or groups of individuals subject to restrictive measures and identified in the list available at [EU Sanctions Map](#).

² [IADB Procurement](#).

³ [PRAG](#).

II. ASPECTS TO BE CONSIDERED IN THE SPECIAL CONDITIONS OF THE GRANT AGREEMENT

<p>Exchange Rate. For purposes of the justification of expenditures to the Bank (including reimbursement/recognition of expenditures, and local counterpart) the equivalent amount to be reported in the project or disbursement currency will be determined using the effect exchange rate used to convert the funds denominated in the project's currency to the local currency.</p>
<p>Financial Statements and Reports. Throughout the loan disbursement period, the EA will submit to the Bank Annual Financial Statements (AFS) in USD and EUR and Internal Control report, 90 days after the country fiscal year end. The final AFS will be presented the financial statement after 90 days of the end date of the implementation period.</p>

III. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

<input checked="" type="checkbox"/>	Bidding Documents	For procurement of Works, Goods and Services Different of Consulting executed in accordance with the Procurement Policies (document GN-2349-15), subject to International Competitive Bidding (ICB), the Bank's Standard Bidding Documents (SBDs) or those agreed between EA and the Bank will be used for the particular procurement. Likewise, the selection and contracting of Consulting Services will be carried out in accordance with the Policies for the Selection and Contracting of Consultants (document GN-2350-15) and the Standard Request for Proposals (SRP) issued by the Bank or agreed between the EA and the Bank will be used for the particular selection. The revision of the technical specifications, as well as the terms of reference of the procurements during the preparation of selection processes, is the responsibility of the sectorial specialist of the project. This technical review can be ex ante and is independent of the procurement review method.
<input checked="" type="checkbox"/>	Use of Country Systems	In procurement, the Bank has approved the use of the Jamaican Procurement Sub-system of Limited Tender/Restricted Bidding, for all contracts for works below the Bank's threshold for Price Comparison (up to US\$150,000) and contracts for goods and non-consulting services that fall within the Bank's threshold for the said method (US\$25,000). The operation's Procurement Plan and its updates will indicate the procurements to be executed through the national system within the approved scope. If the scope approved by the board for the use of the national system is extended, it will be applicable to the operation.
<input checked="" type="checkbox"/>	Training	For the recruitment of training skills for entrepreneurs, digital bootcamp, and gender focused digital skills to be hired as a consultancy, the Quality and Cost Based Selection procedures will be used.
<input checked="" type="checkbox"/>	Procurement supervision	The method of supervision will be ex ante to guarantee the compliance with EU requirements and adequately support the TU in all phases of the procurement processes among which: <ul style="list-style-type: none"> Extended eligibility of providers (according to PRAG). Check on EU restrictive measures at the moment of contract award and following payments. Publication of all contracts awards equal or greater than €15,000 in IDB website.
<input checked="" type="checkbox"/>	Records and Archives	Documents' retention period is extended to five years as requested by the EU.

Main Procurements

Description of the Procurement	Selection Method	Estimated Date	Estimated Amount (US\$)
Goods			
Hardware Equipment for the DBJ	Price Comparison	May-22	235,419
Consulting Firms			
1.1.1.1. Targeted activities to increase women participation	Quality and Cost Based Selection	May-22	235,419
1.1.2.2. Targeted activities to increase women participation		Feb-22	235,419
3.2.2. Women focused incubators strengthened		Sep-22	470,838
3.2.4. Mentoring for women entrepreneurs		Jul-22	117,709
3.2.5 Networking for women entrepreneurs		Jul-23	117,709
3.2.8 Research centers strengthened		Nov-23	223,648
3.2.6 Women targeted diffusion and awareness		Aug-22	117,709
4.5 Sensitization and preparation for take up		Aug-22	353,128
Individuals			
1.1.1 Support for business plans	Comparison of Qualifications - National Individual Consultant	Nov-22	100,000
1.1.2 Support for business plans		Nov-22	50,000
4.2 Technical support		Jan-23	188,335

IV. AGREEMENTS AND REQUIREMENTS FOR FINANCIAL MANAGEMENT

<input checked="" type="checkbox"/>	Programming and Budget	The Ministry of Finance and Planning publishes a Budget Circular requesting the submission of estimates of income and expenditure from ministries and other agencies for inclusion in the National Budget for the following fiscal year, April to March.
<input checked="" type="checkbox"/>	Treasury and Disbursement Management	Whenever resources from the financing are requested through an Advance of Funds, they will be deposited into a specially designated account for this operation, denominated in US Dollars. The TU commits to maintain strict control over the utilization of the Advance to ensure the easy verification and reconciliation of balances between TU's records and IDB records (OPS1). The following disbursement methodologies will be used for the programme: (i) reimbursement of Payments Made (DPB) (expected to be used in most forms of on lending and downstream financing; (ii) direct Payment to Supplier (for large foreign payments); and (iii) advance of Funds (to facilitate the day-to-day operations). The Advance of Funds Methodology will be accordance with IDB's 80% Justification of Advance Procedure and its 180 days maximum timeline. Supporting documentation for Justifications of Advances and Reimbursement of Payments made will be kept at the office of the TU. Support documentation for direct payments will be sent to the Bank for processing. Considering the experience garnered from the current and former operations the modality for disbursement will be ex post. As per the supplementary agreement outlining EU requirements, the minimum amount to justify receiving a new advance of funds will be 70% of the total accumulated balances pending of justification.
<input checked="" type="checkbox"/>	Accounting, Information	Project accounting will be performed using a Bank approved accounting software, in accordance with the Financial Administration and Audit Act (FAAA)

	Systems and Reporting	of Jamaica; IDB's financial management requirements; the modified cash basis of accounting, which is a comprehensive basis of accounting under International Financial and Reporting Standards (IFRS). It is expected that the accounting system will facilitate the recording and classification of all financial transactions, provide information related to planned versus actual financial execution for the project; and the financial execution plan for the next 180 days that will be attached to each request for Advance of Funds. Additionally, the list of commitments will also accompany any request for Advance of Funds.
<input checked="" type="checkbox"/>	Internal Control and Internal Audit	In the area of financial management, the Bank is recommending the use of the Internal Audit Department for internal control. At the country's fiduciary management level, the employment of Financial Management Information System (FMIS) is implemented for treasury and financial administration. However, the TU will employ the Great Plains accounting software, that allows for dual currency (J\$ and US\$) recording and reporting, and any other assisted software which satisfies the financial administration requirement of the Bank and the EU. The management of the project, at the level of both the EA and the TU, will assume the responsibility for designing and implementing a sound system of internal control for the project. This will be bolstered with the addition of the programme to the Entity's Internal Auditor's audit plan and subject to the review of DBJ's audit committee.
<input checked="" type="checkbox"/>	External Control: External Financial Audit and Project Reports	Annual AFS for the programme will be required, beginning with the fiscal year in which the first project expenditures were incurred. The AFS should report on the overall programme, in the expressed currency of the Loan and in Euros. The AFS of the programme should include, in addition to the basic financial statements, an internal control report. The audit must be conducted by a Bank approved/eligible independent external audit firm (rank: Level I or Level II eligibility). The project financial statements will be published on the IDB's website. The AFS of this programme are to be prepared according to the EU-IDB FFPA, found in the supplementary agreement. The AFS must be of the combined programme, irrespective of any disbursement of the EU portion. The resources for the annual audit reports shall be stated in the project budget and shall be prepared by audit firms or individual auditors acceptable to the Bank and contracted by the executing agency according to Bank policy. The Audit's scope and related considerations will follow the Financial Management Guidelines (Document OP-273-12) and the Financial Reports and Management of External Audit guide.
<input checked="" type="checkbox"/>	Project Financial Supervision	Financial Supervision will be developed based on the initial and subsequent risk assessments carried out for the project. Financial, Accounting, and Institutional inspection visits will be performed at least once per year, covering, among other things, the following: (i) review of the bank reconciliation and supporting documentation for advances and justifications; (ii) review of compliance with the OM; and (iii) conducting ex post reviews.

BOOSTING INNOVATION, GROWTH AND ENTREPRENEURSHIP ECOSYSTEMS IN JAMAICA**JA-G1006****CERTIFICATION**

The Grants and Co-Financing Management Unit (ORP/GCM) certifies that the referenced operation will be financed through:

Fuente de Financiamiento	Código del Fondo	Moneda	Monto hasta
EU-IDB Financial Framework Partnership Agreement – 2020	ECR	EUR (USD eq)	7,400,000 8,687,485

For operations financed by funds where the Inter-American Development Bank (IDB) does not control liquidity, the availability of resources is contingent upon the request and the receipt of the resources from the donors. Additionally, in case of operations financed by funds that require a post-approval agreement with the donor, the availability of resources is contingent upon the signature of the agreement between the Donor and the IDB. (i.e.: Project Specific Grants (PSG), Financial Intermediary Funds (FIF), and single donor trust funds).

Certified by:	(Original signed)	November 10, 2021
	<hr/> Maria Fernanda Garcia Chief Grants and Co-Financing Management Unit ORP/GCM	<hr/> Date

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/21

Jamaica. Nonreimbursable Investment Financing GRT/ER-____-JA
Boosting Innovation, Growth and Entrepreneurship
Ecosystems in Jamaica

The Board of Executive Directors

RESOLVES:

1. That the President of the Inter-American Development Bank (“Bank”), or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such agreement or agreements as may be necessary with Jamaica, for the purpose of granting it a nonreimbursable investment financing for a sum of up to €7,400,000, chargeable to the resources to be granted by the European Union Caribbean Investment Facility, pursuant to the agreement or agreements specified in paragraph 2 below, and to adopt any other measures as may be pertinent for the execution of the project proposal contained in document PR-_____.

2. That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such agreement or agreements with the European Union as may be necessary to receive and administer resources, subject to the terms of the Financial Framework Partnership Agreement between the European Union and the Bank dated 29 September 2020, for the purposes described in the project proposal specified in paragraph 1 above, and to adopt any other measures as may be pertinent for the execution of said agreement or agreements.

3. That the authorization granted in paragraph 1 above will be effective once the Bank and the European Union have entered into the corresponding agreement or agreements to which reference is made in paragraph 2.

(Adopted on ____ 2021)