

## Technical Cooperation Document

### I. BASIC INFORMATION FOR TC

▪ Country/Region:	REGIONAL/CCB – Caribbean Group
▪ TC Name:	Improving Productivity, Innovation and Inclusive Growth in the Caribbean
▪ TC Number:	RG-T3224
▪ Team Leader/Members:	STEVENSON, CLAUDIA (IFD/CTI) Team Leader; BERTRAND, ANNIE (IFD/CTI); GRANT, KAYLA SHAREE (IFD/CTI); TORRICO DURAN, BLANCA PAOLA (IFD/CTI); DRAKES, LISA (IFD/CTI); FRANKLYN, RUSSELL (IFD/CTI), GONZALEZ YOHANA (IFD/CTI), BETINA HENNIG (LEG/SGO)
▪ Taxonomy:	Client Support
▪ Date of TC Abstract authorization:	April 3, 2018
▪ Beneficiary:	The Bahamas, Barbados, Belize, Guyana, Jamaica, Suriname, Trinidad and Tobago, 6 OECS countries <sup>1</sup>
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK
▪ Source of funding:	IDB through the Compete Caribbean Partnership Facility – CCPF
▪ IDB Funding Requested:	US\$ 200,000.00
▪ Local counterpart funding, if any:	US\$ 0.00
▪ Disbursement period:	36 months
▪ Required start date:	April 23, 2018
▪ Types of consultants:	Individual Consultants
▪ Prepared by Unit:	Competitiveness & Innovation
▪ Unit of Disbursement Responsibility:	INSTITUTIONS FOR DEVELOPMENT
▪ TC included in Country Strategy (y/n):	No
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Productivity and innovation; Gender and Social Inclusion

### II. OBJECTIVES AND JUSTIFICATION

- 2.1 The objective of the project is to enhance CCPF's capacity to support institutions, clusters and firms in developing action plans leading to increased productivity, innovation, and growth prospects in the Caribbean region.
- 2.2 Modest growth in the Caribbean region is expected in 2018 and 2019 due in part to stronger commodity prices<sup>2</sup>. However, exogenous shocks such as natural disasters and the rapid pace of technological developments may curtail such expectations. Islands such as Dominica, for instance, suffered immensely from the 2017 hurricane season which left in its wake dim economic growth prospects, with growth rates

<sup>1</sup> These 6 countries include Antigua & Barbuda, Dominica, Grenada, St. Lucia, St. Kitts & Nevis and St. Vincent & Grenadines.

<sup>2</sup> Wener, Alejandro. January 25, 2018. "Latin America and the Caribbean in 2018: An Economic Recovery in the Making". Available at <https://blogs.imf.org/2018/01/25/latin-america-and-the-caribbean-in-2018-an-economic-recovery-in-the-making/>

estimated<sup>3</sup> at -16.3% in 2018, and 12.2% for 2019 reflecting the strong focus on reconstruction efforts as the country recovers from total damages and losses estimated at US\$1.37 billion<sup>4</sup>, the equivalent of 226 percent of GDP. In another instance, innovative technology is reshaping the productive structure of many economies which in turn will influence global terms of trade and how firms compete. For small nations in the Caribbean that are dependent on exports to grow their economy, increasing the productivity of firms to compete in the global market is crucial. Moreover, findings from micro-level data on Caribbean firms show that innovation has significant importance in improving overall productivity<sup>5</sup>.

- 2.3 In line with the Compete Caribbean Partnership Facility's (CCPF) objective to support Caribbean firms to grow, innovate, and enter into new sectors and markets, the CCPF issued a Call for Proposals (CFP) under its Pillar I focused on Productivity and Innovation in Firms to attract promising clusters of firms interested in receiving technical assistance. Upon the close of the CFP in November 2017, 91 cluster applications from 13 Caribbean countries were received<sup>6</sup>. After internal short listing, an independent Investment Panel was convened to evaluate eight cluster applications from Grenada, Suriname, Belize and Jamaica and whose projects span the tourism, agro-processing and service sectors. Representatives from each cluster made pitches to the investment panel, who as per the Operating Regulations of Compete Caribbean, recommend to the Facility which projects to fund<sup>7</sup>. Of these projects, the Investment Panel recommended four<sup>8</sup> to receive technical support. This technical support starts with developing action plans, also known as Cluster Competitiveness Improvements Plans (CCIPs), to develop the detailed activities and budget for each project. These CCIPs will lead to technical cooperation projects eligible for funding<sup>9</sup> through the CCPF.
- 2.4 This Technical Cooperation (TC) thus intends to build capacity amongst these four recommended cluster projects in the design of CCIPs that lead to improved productivity and growth outcomes, and, budget permitting, of other CCIPs of projects<sup>10</sup> recommended for funding by the Independent Investment Panel in future competitions. The CCIPs will be results oriented, developed based on consultation with, and inputs from, key stakeholders; reflect a sound understanding of local and regional business environment; and integrate gender and diversity, climate change, and regional

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<sup>3</sup> Source: IMF World Economic Outlook Database April 2018

<sup>4</sup> World Bank Press Release, April 2018 "[World Bank Provides US\\$65 million for Dominica's Post-Maria Reconstruction](#)".

<sup>5</sup> Dohnert, S; Crespi, G. and Maffioli, A. 2017. Exploring Firm Level Innovation and Productivity in Developing Countries: The Perspective of Caribbean Small States. Available at

<sup>6</sup> Forty-one per cent of the proposals were from the agriculture, agro-processing and aquaculture sector; 17% were related to the creative/cultural industry; 17% were related to the tourism sector; and 16% to the service sector.

<sup>7</sup> Compete Caribbean Operating Regulations. Available [here](#)

<sup>8</sup> The projects include (i) Belize Shrimp Biosecurity Aquaculture Zone Management, by Belize Shrimp Growers' Association (BSGA) (ii) Digitization of Jamaica's Outsourcing industry: Enhancing Business Models and Advancing up the Vertical Value Chain, by Business Process Industry Association of Jamaica (BPIAJ) (iii) JBU Grow Castor Bean Project, by Jamaica Baptist Union and (iv) an agritourism project by a North East Cluster in Grenada. The Minutes of this convening of the Investment Panel can be found [here](#)

<sup>9</sup> Compete Caribbean will grant the selected cluster project(s) 80% of the total budget for the proposed project, to a maximum of USD\$400,000. The winning cluster(s) must in turn contribute a minimum of 20% of the total project cost, half of which can be provided in-kind. Professional consultants will also be available to support the project development process.

<sup>10</sup> These projects could originate from other CCPF beneficiary countries such as Grenada, Dominica, St. Vincent and the Grenadines, St. Lucia and Guyana.

integration considerations when possible, and recommend technological innovations for improving production. Experts with specialized knowledge will be contracted to work alongside beneficiaries in designing these action plans which will be funded by CCPF for implementation or used to secure resources from other financing agents for implementation.

- 2.5 In addition to these four clusters, this TC intends to support the design of action plans for implementing gender-responsive firm-level productivity and innovation programs within public sector institutions that support productivity and innovation. The support provided is intended to build capacity amongst public-sector institutions, selected through a competitive process or after direct consultation, to design productivity and innovation programs.
- 2.6 This TC is consistent with the Update to the Institutional Strategy (UIS) 2010-2020 (AB-3008) as it is strategically aligned with the development challenges of (i) productivity and innovation; and (ii) the cross-cutting issue of Gender Equality and Diversity, while addresses the special needs of small and vulnerable countries in fostering development through the private sector. The program is aligned with the priorities defined in the Innovation, Science and Technology Sector Framework Document (GN-2791-3). The project is also aligned with the priorities of the "Proposal for the Establishment of the Compete Caribbean Partnership Facility" (GN-2851). In addition, this TC is aligned with the country strategies of, The Bahamas, Belize, Guyana, Jamaica, Trinidad and Tobago and Suriname that include the pillar of private sector development and innovation. The Barbados strategy (in preparation) has identified the topic as well. This project expands the technical support for action plans allotted under RG-T3126 which will fund similar plans to additional firms and public institutions that have expressed demand for these services.

### III. DESCRIPTION OF ACTIVITIES/COMPONENTS AND BUDGET

- 3.1 **Component 1: Design of Action Plans to Support Productivity, Innovation, and Inclusive Growth (US\$200,000).** This component will finance individual consultants to (i) develop CCIPs for four clusters recommended by the Investment Panel and (ii) design action plans for implementing gender-responsive firm-level productivity and innovation programs within public sector institutions that support productivity and innovation. These action plans will define strategic scope and objectives, assess governance structure, address strategies for integrating gender and diversity, climate change resiliency and adaptation, and regional integration considerations, identify opportunities for utilizing technology for improving efficiency, provide guidelines for developing a monitoring and evaluation system, assess and develop risk mitigation strategies, make recommendations on skills and capacity building required for successful implementation, and consider strategies for sustainability. CCIPs, in addition to the prior, will specifically assess the cluster in terms of its typology and level of development, its business environment, its strategy in terms of its competitiveness (i.e. SWOT analysis, competitive analysis, value proposition, etc.), financial projections, and project budget.
- 3.2 The consultants engaged under this TC will deliberately explore opportunities to include women-owned firms into the supported clusters and to empower them given their constraints in the local context. They are also required to use a participatory approach to ensure representation of the priority needs of the intended beneficiaries leading to consensus on the types of activities, governance model, and resources required to execute action plans aimed at achieving outcomes that lead to improving

productivity, innovation and growth in firms. The participatory approach is expected to lead to increased local ownership and transfer of knowledge in project preparation from the consultants to the participating stakeholders. Additionally, the findings of research currently being undertaken under RG-T3126 into the barriers faced by women-owned firms will inform the design of the action plans under this TC.

**Indicative Budget (in US\$)**

Activity/Component	Description	IDB/Fund Funding	Counterpart Funding	Total Funding
Design of Action Plans to Support Productivity, Innovation, and Inclusive Growth	Support for the design of action plans (30-60 days including travels, workshops, etc.)	\$ 200,000.00	\$ 0.00	\$ 200,000.00
<b>TOTAL</b>		<b>\$200,000.00</b>	<b>\$0.00</b>	<b>\$200,000.00</b>

#### **IV. EXECUTING AGENCY AND EXECUTION STRUCTURE**

- 4.1 The execution of this TC will be carried out by the Bank through the Competitiveness and Innovation Division (IFD/CTI) in coordination with the Facility Coordination Unit (FCU) of the Compete Caribbean Partnership Facility based in Barbados and in close collaboration with the relevant IDB specialists and the applicants for funding.
- 4.2 The execution and disbursement period will be 36 months and the UDR will be IFD. The activities to be executed are included in the [Procurement Plan](#) and will be contracted in accordance with Bank policies as follows: (a) AM-650 for Individual consultants; (b) GN-2765-1 and Guidelines OP-1155-4 for Consulting Firms for services of an intellectual nature and; (c) GN-2303-20 for logistics and other related services. In accordance with a Financial Agency Agreement signed between the IDB and the Caribbean Development Bank (CDB), the CDB will act as the Financial Agent for the purposes of administering the Facility grant resources that will finance the implementation of individual projects in the Organization of Eastern Caribbean States (OECS).
- 4.3 The Compete Caribbean Partnership Facility (CCPF), approved under GN-2851, was jointly designed with donors to be a Bank Executed Program, through the CCPF's FCU established in COF Barbados. Additionally, the CTI team has strong experience in design and implementation of national and regional innovation survey instruments. The Bank has demonstrated its ability to coordinate and motivate action across diverse stakeholders at both the national and regional levels.
- 4.4 In the case of the CCIPs, the beneficiaries of this TC are selected by an Investment Panel through a competitive process ([see here](#)).

#### **V. MAJOR ISSUES**

- 5.1 The most significant risk to achieving the planned objective is the sourcing of consultants with the requisite blend of knowledge and experience. To mitigate this risk, TORs will be carefully crafted ex-ante, and will clearly outline the required breadth and depth of analysis, and qualifications and experience of the consultant(s). Advertising of the TORs will be done where specialized inputs are required. CCPF also has a

database of highly-qualified consultants to draw on. Additionally, a team comprising FCU staff and IDB specialists will make technical inputs into the project development process and will review and exercise quality control over the consultants' deliverables.

**VI. EXCEPTIONS TO BANK POLICY**

- 6.1 No exceptions to the Bank's policies are envisioned.

**VII. ENVIRONMENTAL AND SOCIAL STRATEGY**

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

**Required Annexes:**

- Annex I: [Request from the client](#)
- Annex II: [Results Matrix](#)
- Annex III: [Terms of Reference](#)
- Annex IV: [Procurement Plan](#)

IMPROVING PRODUCTIVITY, INNOVATION AND INCLUSIVE GROWTH IN THE CARIBBEAN

RG-T3224

CERTIFICATION

I hereby certify that this operation was approved for financing under the **Compete Caribbean Partnership Facility (CCP)** through a communication dated April 3, 2018 and signed by Goro Mutsuura (ORP/GCM). Also, I certify that resources from said fund are available for up to **US\$200,000** in order to finance the activities described and budgeted in this document. This certification reserves resource for the referenced project for a period of four (4) calendar months counted from the date of eligibility from the funding source. If the project is not approved by the IDB within that period, the reserve of resources will be cancelled, except in the case a new certification is granted. The commitment and disbursement of these resources shall be made only by the Bank in US dollars. The same currency shall be used to stipulate the remuneration and payments to consultants, except in the case of local consultants working in their own borrowing member country who shall have their remuneration defined and paid in the currency of such country. No resources of the Fund shall be made available to cover amounts greater than the amount certified herein above for the implementation of this operation. Amounts greater than the certified amount may arise from commitments on contracts denominated in a currency other than the Fund currency, resulting in currency exchange rate differences, represent a risk that will not be absorbed by the Fund.

Certified by:

Approved	4/24/2018
_____ Sonia M. Rivera Chief Grants and Co-Financing Management Unit ORP/GCM	_____ Date

Approved by:

Approved	4/25/2018
_____ Gonzalo Rivas Division Chief Competitiveness and Innovation Division IFD/CTI	_____ Date