

## TC ABSTRACT

### I. Basic Project Data

▪ Country/Region:	REGIONAL/CCB - Caribbean Group
▪ TC Name:	Strengthening management of projects to support private sector innovation and digital transformation in the Eastern Caribbean
▪ TC Number:	RG-T4080
▪ Team Leader/Members:	DOHNERT DE LASCURAIN, SYLVIA EVA (IFD/CTI) Team Leader; STEVENSON, CLAUDIA (IFD/CTI) Alternate Team Leader; RADAELLI, VANDERLEIA (IFD/CTI); GONI PACCHIONI, EDWIN ANTONIO (IFD/CTI); AMARANTE PUFAL, NATHALIA (IFD/CTI); ANGANU, JAIWATTIE (IFD/CMF); MARIA ALEJANDRA GALEANO (IFD/CTI); JIMENEZ MOSQUERA, JAVIER I. (LEG/SGO); FRANKLIN, ROCHELLE (CCB/CBA)
▪ Taxonomy:	Operational Support
▪ Number and name of operation supported by the TC:	Strengthening private sector development through innovation in the Eastern Caribbean OECS member countries - RG-L1160
▪ Date of TC Abstract:	12 Apr 2022
▪ Beneficiary:	Antigua & Barbuda, Dominica, Grenada, St. Lucia, St. Kitts & Nevis, St. Vincent & the Grenadines
▪ Executing Agency:	CARIBBEAN DEVELOPMENT BANK
▪ IDB funding requested:	US\$270,000.00
▪ Local counterpart funding:	US\$0.00
▪ Disbursement period:	36 months
▪ Types of consultants:	Individuals; Firms
▪ Prepared by Unit:	IFD/CTI - Competitiveness, Technology and Innovation Division
▪ Unit of Disbursement Responsibility:	CCB/CBA - Country Office Barbados
▪ 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 ; Institutional capacity and rule of law

### II. Objective and Justification

- 2.1 The objective of this TC is to support the Caribbean Development Bank (CDB) in executing a global credit operation that will strengthen innovation and technological transformation support services for micro, small and medium enterprises (MSMEs) in the Eastern Caribbean. The TC will support institutional strengthening of the recently created Private Sector Development Unit of the CDB in activities related to executing RG-L1160: Strengthening private sector development through innovation in the Eastern Caribbean OECS member countries, including identification, design and development of a monitoring and evaluation framework for sub-loans that strengthen innovation and technological transformation support services for MSMEs in the Eastern Caribbean.

- 2.2 The Caribbean Development Bank's borrowing member countries grew at 1.9% over the last decade while other Small Island Developing States grew at 4% (CDB Strategic Plan 2020-2024). The GDP/Capita of the Eastern Caribbean countries grew at an annual average of 1.45% between 2001 and 2019, and in 2020 their GDP contracted by 13.7% on average, due to COVID's impact on tourism. Studies have determined that this low rate of growth is linked to low levels of innovation and technology adoption across the economy.
- 2.3 Since 2020, COVID has accelerated the adoption of digital technology at a global level, and the pace at which every industry is being transformed. As in the rest of the world (OECD, 2022), the ability of the Caribbean private sector to adopt and deploy digital technology to create new products and services, change processes to optimize efficiency, and deploy new marketing or organizational methods will determine the pace of its post-COVID economic reactivation as well as short-term and future competitiveness.
- 2.4 In addition, OECS countries are highly vulnerable to natural disasters, which will only increase with climate change, raising the relevance of climate action at the firm level. Aside from climate mitigation technologies to decrease carbon footprinting, there are technologies that can help businesses recover from natural disasters more quickly, and/or become compliant with environmental certifications.
- 2.5 The IDB is supporting six Eastern Caribbean non-member countries in accelerating their rate of adoption of digital technology, environmental technology, and innovative practices through RG-L1160: Strengthening private sector development through innovation in the Eastern Caribbean OECS member countries. This global credit loan will provide financing to the Caribbean Development Bank to provide: a) loans to the public sector, to strengthen the services that can support MSMEs in creating new products and services (including digital and green products and services), and in becoming ready to adopt digital and environmental technology; and b) lines of credit (LOCs) to financial intermediaries for for technology adoption.
- 2.6 The CDB, through its recently created Private Sector Division (PSD), aims to promote private sector and innovation in the OECS and needs so strengthen its capacity, including through RG-L1160 cited previously, to develop new operations, target new beneficiaries and carry out a more integrated strategy that also involves public agencies, business support organizations and other actors in the ecosystem.
- 2.7 This TC is consistent with the Second Update to the Institutional Strategy 2020-2024, by promoting technology and innovation and enhancing institutional capacity and the rule of law in OECS countries. The TC is also aligned with the priority areas of Effective, Efficient and Transparent Institutions of the Ordinary Capital Strategic Development Program (GN-2814-14) by strengthening institutional and policy quality as well as service delivery and policy implementation to promote private sector development and by leveraging digital transformation to promote more productive and innovative firms. It is also aligned with the objectives of the Build Forward Initiative by fostering smart development that is inclusive and climate resilient. This TC is also aligned with IDB's Vision 2025's strategic goals of reactivating the productive sector, promoting social progress, and strengthening governance and institutions.

### **III. Description of Activities and Outputs**

- 3.1 **Component I: Component 1: Strengthening of the Private Sector Division (PSD).** The component will engage consultants to support the PSD in preparing loans to strengthen the supply of business development services and financial products supporting MSMEs innovation and digital and environmental transformation in the OECS, including stimulating dialogue, identifying interested counterparts, diagnosing market failures in the supply of innovation and technology adoption services, designing

loans to surmount these failures and supporting their preparation for CDB board approval.

- 3.2 **Component II: Component 2: Technical Assistance to Institutions Supporting MSMEs.** This component will strengthen institutions serving OECS MSMEs to deploy policies and programs that support their innovation and technology adoption. Institutions that execute loan programs developed under Component 1 will receive priority. Capacity building may entail: designing strategic plans, developing policies and programs that enhance MSMEs innovation or digital/environmental technology adoption, improving M&E and reporting, selecting beneficiaries, mainstreaming gender diversity, etc.
- 3.3 **Component III: Component 3: Monitoring and Evaluation.** Strengthen the capacity of the PSD to monitor and evaluate the results of the sub-loans that are being financed through IDB Operations, especially key data such as % of climate finance, gender finance, and treated businesses' turnover and number of employees. Capacity building may entail: a digital platform shared with executing agencies to standardize and routinely collect data associated to the outcomes of the sub-loans, training workshops with execution agencies and tailored support.

#### IV. Budget

Indicative Budget

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
Component 1: Strengthening of the Private Sector Division (PSD)	US\$135,000.00	US\$0.00	US\$135,000.00
Component 2: Technical Assistance to Institutions Supporting MSMEs	US\$115,000.00	US\$0.00	US\$115,000.00
Component 3: Monitoring and Evaluation	US\$20,000.00	US\$0.00	US\$20,000.00
<b>Total</b>	<b>US\$270,000.00</b>	<b>US\$0.00</b>	<b>US\$270,000.00</b>

#### V. Executing Agency and Execution Structure

- 5.1 The execution and disbursement period will be 36 months and the Unit of Disbursement Responsibility (UDR) will be CBA. Pursuant with the "Agreement between the Inter-American Development Bank, Inter-American Investment Corporation and the Caribbean Development Bank for Mutual Cooperation in the Caribbean Region", CDB Procurement Policies and Procedures will apply for the procurement of goods, works, consulting services and services other than consulting services, financed with resources of the IDB, or resources under its administration, and made available to CDB for specific projects. Eligibility to participate in the corresponding procurement process will be extended to: (i) firms and individuals from and goods originating in CDB member countries which are not members of the IDB; and (ii) firms and individuals from and goods originating in IDB member countries which are not members of CDB.
- 5.2 The execution of this TC will be carried out by the Private Sector Division of the Caribbean Development Bank (This Division offers three lines of support to the private sector: a) lines of credit to development financial institutions to increase access to finance; b) direct technical assistance to the private sector through the Caribbean Technological Consultancy Services (CTCS) Facility; and c) an EU financed program to support the export-oriented private sector in taking advantage of the European Partnership Agreement.) in coordination with the Competitiveness, Technology and

Innovation Division (IFD/CTI) of the IADB. The Caribbean Development Bank, through its recently renewed agreement with the IADB, can execute IADB technical assistance funds and make these available to non-IADB member countries. Through its MSME Unit and the Caribbean Technological Consultancy Services (CTCS) Facility, the Caribbean Development Bank has demonstrated its ability to coordinate and motivate action across diverse stakeholders related to private sector development in the Caribbean.

## **VI. Project Risks and Issues**

- 6.1 Limited bandwidth of the PSD in terms of manpower may put pressure on the consultant(s) hired under this project to utilize time towards other PSD obligations. Component 1 of this project is expected to contract a dedicated resource working within the PSD to support identification and design of RG-L1160. Any additional knowledge services required by the PSD to design those sub-loans will be supported with CDB budget.
- 6.2 Monitoring and evaluation is important to both the CDB and the IADB. For the PSD, a sound monitoring and evaluation framework can provide data to improve design and implementation of Lines of Credit (LOCs) and other products. It is envisioned that the monitoring and evaluation framework/mechanisms financed under this project will help the CDB better report on the impact of all IDB loans in the Eastern Caribbean managed by the PSD, as well as assist the PSD strategically.

## **VII. Environmental and Social Classification**

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