

TC ABSTRACT

I. Basic Project Data

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| ▪ Country/Region: | REGIONAL/CCB - Caribbean Group |
| ▪ TC Name: | Saint Lucia Competitiveness Agenda & Action Plan |
| ▪ TC Number: | RG-T3243 |
| ▪ Team Leader/Members: | STEVENSON, CLAUDIA (IFD/CTI) Team Leader; TORRICO DURAN, BLANCA PAOLA (IFD/CTI); PEREIRA, STEFANO (IFD/CTI); PILGRIM, VALARIE (IFD/CTI); GRANT, KAYLA SHAREE (IFD/CTI); FRANKLYN, RUSSELL LEVON (IFD/CTI) |
| ▪ Taxonomy: | Client Support |
| ▪ Number and name of operation supported by the TC: | N/A |
| ▪ Date of TC Abstract: | 03 Apr 2018 |
| ▪ Beneficiary: | Small & Medium Sized Enterprises |
| ▪ Executing Agency: | CARIBBEAN DEVELOPMENT BANK |
| ▪ IDB funding requested: | \$ 200,000.00 |
| ▪ Local counterpart funding: | \$ 144,317.00 |
| ▪ Disbursement period: | 36 months |
| ▪ Types of consultants: | Individuals; Firms |
| ▪ 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 |

II. Objective and Justification

- 2.1 The ultimate goal of this project is to foster sustainable economic growth and enhance competitiveness in Saint Lucia. The specific objectives are to: (i) clarify a competitiveness agenda for the country and increase consensus and focus on strategic interventions to promote private sector development; (ii) strengthen the enabling environment for business development, trade and development; (iii) strengthen key institutions that facilitate competitiveness and innovation, in particular the NCPC and the Department of Innovation; and (iv) build capacity within the public sector on key aspects of competitiveness, innovation and productivity.
- 2.2 Saint Lucia has a stagnating productivity problem which exacerbates long term development challenges. The National Competitiveness and Productivity Council (NCPC) points out that average labor productivity or output per worker in Saint Lucia declined by 1.8% between 2010 and 2016. Over the same period, value added grew by 0.65%, indicating that the decline in productivity is closely linked to the decline highlighted earlier in output. Wages rose by 3% between 2008 and 2013 before a wage freeze stifled this growth. In line with this trend, the public sector wage bill rose to 34% of total expenditure in 2015, considerably above the 27% average for Emerging Market and Middle-Income Economies globally. In 2013, with the assistance of the Compete Caribbean Program, the Government established the National Competitiveness and Productivity Council (NCPC) and an accompanying Technical Unit. The mandate of the NCPC is to raise awareness on issues of productivity and competitiveness and to undertake and recommend key reforms for the improvement of the business environment and the country's competitiveness. In 2017, the Government established a Department of Innovation,

which has a critical role to play in furthering innovation, productivity and competitiveness in Saint Lucia. Further, the Caribbean Development Bank (CDB) is currently assisting the government of Saint Lucia to (a) develop a medium-term framework (MTF) to address the above-mentioned challenges to sustainable and inclusive economic and social development, including those related to competitiveness; and (b) establish a Performance Management Delivery Unit (PMDU) to significantly accelerate implementation of the country's development goals. This project will support the development of a Competitiveness Agenda, an operational document, which will break down the MTF goals related to competitiveness into implementable actions; allocate responsibilities for implementation/achievement; provide a detailed and integrated action plan for achieving the planned results; and establish the institutional framework for execution and coordination. It is expected that the PMDU, given its objective, will serve as a vehicle for implementing transformative actions detailed within the Competitiveness Agenda. The project will also strengthen the fairly nascent NCPC and Department of Innovation, given their critical roles in coordinating implementation or implementing the Agenda.

III. Description of Activities and Outputs

- 3.1 The ultimate goal of this project is to foster sustainable economic growth and enhance competitiveness in Saint Lucia. The specific objectives are to: (i) clarify a competitiveness agenda for the country that reflects public sector, private sector and civil society consensus and focuses on strategic interventions that promote private sector development; (ii) strengthen key institutions that facilitate competitiveness and innovation, in particular the NCPC and the Department of Innovation; (iii) build capacity within the public sector on key aspects of competitiveness, innovation and productivity; and (iv) strengthen the enabling environment for business development, trade and development.
- 3.2 3.2 Component 1: Defining a National Competitiveness Agenda, Action Plan, Financing Strategy and Implementation Strategy. This component will finance consultancy services to: (a) benchmark the country's competitiveness against relevant comparator countries; (b) analyze the key structural challenges to socially inclusive and climate resilient economic growth; (c) develop a comprehensive competitiveness agenda that highlights key actions and priority reforms to be undertaken in the near and medium term, and the agencies responsible for their implementation; (d) formulate an implementation strategy; (e) conduct an institutional assessment and develop a plan to strengthen the NCPC's capacity to coordinate the implementation of the competitiveness agenda and fulfil its mandate; (f) develop cost estimates for the recommended actions, reforms and institutional strengthening activities; and (g) detail a financing plan for the competitiveness agenda
- 3.3 **Component I: Defining a National Competitiveness Agenda, Action Plan, Financing Strategy and Implementation Strategy.** This component will finance consultancy services to: (a) benchmark the country's competitiveness against relevant comparator countries; (b) analyze the key structural challenges to socially inclusive and climate resilient economic growth; (c) develop a comprehensive competitiveness agenda that highlights key actions and priority reforms to be undertaken in the near and medium term, and the agencies responsible for their implementation; (d) formulate an implementation strategy;
- 3.4 **Component II: Capacity Building to Improve the Coordination and Implementation of Competitiveness Related Activities.** . This component will finance: (a) the training of NCPC personnel in, and the installation of tools for, monitoring innovation, productivity and competitiveness, and coordinating the implementation of the competitiveness agenda articulated from resources under component 1; (b) technical consultancy services to draft an innovation policy and (c)

the design and implementation of targeted focus groups, workshops and other training and sensitization forums

- 3.5 **Component III: Implementation of Priority Competitiveness Reforms.** this component will finance consultancy services to implement the more immediate actions and reforms (or low hanging fruits) within the competitiveness agenda. These may include financing technical support to develop priority sector studies, analysis of incentives, and/or the drafting of policies, legislation and regulations to support improvements in the business and innovation climate

IV. Budget

Indicative Budget

| Activity/Component | IDB/Fund Funding | Counterpart Funding | Total Funding |
|---|------------------|---------------------|---------------|
| Defining a National Competitiveness Agenda, Action Plan, Financing Strategy and Implementation Strategy | \$ 70,000.00 | \$ 21,317.00 | \$ 91,317.00 |
| Capacity Building to Improve the Coordination and Implementation of Competitiveness Related Activities. | \$ 70,000.00 | \$ 48,000.00 | \$ 118,000.00 |
| Implementation of Priority Competitiveness Reforms | \$ 60,000.00 | \$ 75,000.00 | \$ 135,000.00 |

V. Executing Agency and Execution Structure

- 5.1 The project will be executed by FCU in close collaboration with the NCP. The IDB, through the CCPF and the Government of Saint Lucia will sign a letter of agreement defining their respective roles and responsibilities for the implementation of the project. The letter of request from the Ministry of Finance will be annexed in the TC Document. The procurement of individual consulting services will be carried out by the IDB in accordance with Human Resources (HRD) Complementary Workforce Policy (AM-650). The procurement of consulting firms will be carried out by the IDB in accordance with the Policy for the Section and Contracting of Consulting Firms for Bank-executed Operational Work (GN-2765-1). The procurement of consulting services different from consultants will be carried out by IDB in accordance with Corporate Procurement Policy (GN-2303-20).
- 5.2 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 Facility Coordination Unit (FCU) established in COF Barbados. The Bank has demonstrated its ability to coordinate and motivate action across diverse stakeholders at both the national and regional levels. The execution of this TC will be carried out by the Bank through the Competitiveness and Innovation Division (IFD/CTI) in coordination with FCU. Project output indicators will be monitored following the Monitoring and Evaluation (M&E) framework of the CCPF.

VI. Project Risks and Issues

- 6.1 Implementation of the competitiveness agenda and action plan requires adequate finance and time commitment. High debt and limited fiscal space may limit the government's capacity to finance the implementation of the Agenda. Change in policy priorities, over time, also poses a significant risk to sustained implementation. Further, macroeconomic risks which include the risk of exogenous shocks (such as natural disasters or demand shocks in main tourist arrival countries); increasing public debt;

and financial sector risks may limit the implementability of the action plan. To mitigate these risks, the competitiveness agenda will be accompanied by a funding strategy for implementation which, subsequent to sustained discourse with stakeholders, will identify how different actions will be funded.

VII. Environmental and Social Classification

7.1 The ESG classification for this operation is "C".