

TC ABSTRACT

I. Basic Project Data

▪ Country/Region:	Jamaica - Caribbean Group
▪ TC Name:	Support to Jamaica's Innovation Ecosystem for Promoting Innovative Firms
▪ TC Number:	JA-T1164
▪ Team Leader/Members:	Navarro, Juan Carlos, Team Leader; Bertrand, Annie; Grant, Kayla Sharee; Gonzalez Alzualde, Yohana Beatriz; Franklyn, Russell Levon (IFD/CTI); Blair, Sudaney (CCB/CJA); Eschoyez, Guillermo Antonio (LEG/SGO)
▪ Taxonomy:	Client Support
▪ Number and name of operation supported by the TC:	N/A
▪ Date of TC Abstract:	October 16, 2018
▪ Beneficiary:	Jamaica
▪ Executing Agency:	Development Bank of Jamaica Limited
▪ IDB funding requested:	US\$500,000.00
▪ Local counterpart funding:	US\$80,000.00 (In Kind)
▪ Disbursement period:	24 months
▪ Types of consultants:	Consulting firms and individual consultants
▪ Prepared by Unit:	Competitiveness, Technology and Innovation Division (IFD/CTI)
▪ Unit of Disbursement Responsibility:	Institutions for Development Sector (IFD/IFD)
▪ 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; Gender equality

II. Objective and Justification

- 2.1 To strengthen local capacity for developing a pipeline of early/stage innovative ventures, mostly technology based, that contribute to catalyzing firm productivity gains. Specifically, the project aims to support capacity to design, implement and evaluate innovation programs within the framework of IGNITE II.
- 2.2 New and emerging digital technologies are transforming the economic fabric and redefining the way we consume, produce, and distribute services and products. This wave of digital transformation, being heralded as the fourth industrial revolution, offers a wealth of opportunities for increasing economic growth. A strong innovation ecosystem supports uptake and utilization of new digital technologies for increasing innovation levels, productivity, and overall competitiveness yet Jamaica's innovation ecosystem is lagging. Jamaica is classified by the GEM report as an efficiency-driven economy, rather than innovation-driven and ranks 84th out of 127 countries in the 2017 Global Innovation Index. The PROTEqIN survey revealed that only 12% of Jamaican firms are innovating (of which 46% are women-owned firms), and only 13% indicate having an R&D department.
- 2.3 Jamaica has thus embarked on several initiatives to improve its entrepreneurial and innovation ecosystem, such as the Innovation Grant from New Ideas to Entrepreneurship (IGNITE) program which under its first phase has supported twenty-seven entrepreneurs over an 18-month pilot. Despite the growth of this initiative and the success of others, there has been limited success in generating a consistent deal flow of high-tech and disruptive firms that can attract investments and scale up. A permanent institutional structure is required for providing stronger coordination among

complementary activities (financial and technical) to catalyze innovative and high potential firms. A carefully designed Innovation Fund can organize such initiatives to target specific outcomes that can have a great impact on growth in Jamaica.

- 2.4 Secondly, existing incubators and business support organizations in Jamaica face a knowledge gap in their understanding of high-tech entrepreneurs' needs and lack the technical capacity to support incubating technology start-ups and/or ventures. Technology-based firms utilize digital technologies or disruptive and innovative processes that can scale and have exponential benefits on productivity and innovation but require unique support that are not readily available in the current ecosystem. This TC will address these two major gaps in the ecosystem by: (i) the design and operationalization strategy for a gender-sensitized innovation fund to coordinate all innovations grants that support the development of a pipeline of innovative seed/early stage ventures; and (ii) building the capacity of existing local incubators to identify and support the development of a pipeline of more technology-based firms.
- 2.5 This TC is consistent with: (i) the Update to the Institutional Strategy (UIS) 2010-2020 (AB-3008) as it is strategically aligned with the development challenges of productivity and innovation and specifically addresses the special needs of small and vulnerable countries in fostering development through the private sector; (ii) the current IDB Country Strategy with Jamaica (2016-2021), which seeks to support the government in the implementation of reforms to further improve the business climate and the environment for innovation; (iii) the priorities defined in the Innovation, Science and Technology Sector Framework Document; and (iv) the priorities of the "Proposal for the Establishment of the Compete Caribbean Partnership Facility" (GN-2851). The TC complements the IDB-MIF funded ATN/ME-15282-JA to enhance incubators' capability to support high-tech firms.

III. Description of Activities and Outputs

- 3.1 **Component 1: Design and Piloting of High-Tech Incubator** (US\$300,000). This component will assess the current capabilities of existing incubators and the gaps in supporting high-tech firms, especially women-owned firms. An intervention will be designed to make them stronger and better able to provide gender-sensitized support for digital start-ups and early stage ventures. Key outputs under this component include: (i) an assessment and strategy for improving incubators' ability to support high-tech firms; (ii) the design of a pilot for improving incubator services, such as supporting product testing or prototypes for market validation, to high-tech firms; (iii) seed funding to qualified firms selected through the IGNITE program that meet certain criteria; and (iv) establishment of a network of technology business advisors.
- 3.2 **Component 2: Design of Innovation Fund** (US\$100,000). This component will finance the design and strategy for operationalizing a gender-sensitized innovation fund targeted at building a pipeline of innovative pre-seed and early stage ventures in Jamaica. The innovation fund will be gender sensitized to ensure diversity and inclusivity and shall also provide guidelines for identifying environmentally progressive ventures. The design would take a participatory approach in working with stakeholders to define elements such as the target of the fund, instruments by which the fund will operate, the channels for accessing the fund, strategies for ensuring gender equality in selection and evaluation of applicant firms, governance mechanism for administering and managing the fund, strategizing how the fund will be monitored and assessed in achieving set outcomes, and sustainability of the fund. The outputs under this component include: (i) workshops gathering key stakeholders for consultations, input and dissemination of findings; and (ii) report on the design and operationalization strategy of the innovation fund.
- 3.3 **Component 3: Training, Intelligence Monitoring, and Evaluation** (US\$100,000). This component will finance the design of a digitized and gender sensitive monitoring

and evaluation system for the IGNITE program to permit accurate data collection and analysis that will support informed decision making in improving the program's selection methods, operations, and achievement of outcomes. The design will include recommendations for the type of indicators and data that need to be collected for a robust monitoring and evaluation. This component will also finance training DBJ staff in designing data collection instruments, analyzing data collected, and reporting on performance to project beneficiaries and other stakeholders in order to develop local capacity for replicating the development of the system to other innovation programs. The outputs under this consultancy include: (i) M&E system to manage IGNITE applications; and (ii) training in the design, analysis, and reporting of data to monitor and evaluate various types of innovation programs.

IV. Budget

Indicative Budget (US\$)

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
Design and Piloting of High-Tech Incubator	300,000.00	60,000.00	360,000.00
Design of Innovation Fund	100,000.00	0.00	100,000.00
Training, Intelligence Monitoring, and Evaluation	100,000.00	20,000.00	120,000.00
Total	500,000.00	80,000.00	580,000.00

V. Executing Agency and Execution Structure

- 5.1 The execution of this TC will be carried out by the Development Bank of Jamaica in coordination with the Competitiveness and Innovation Division (IFD/CTI) and the Compete Caribbean Partnership Facility's (CCPF) Facility Coordination Unit (FCU) established in Country office Barbados and approved under GN-2851. Project output indicators will be monitored following the Monitoring and Evaluation (M&E) framework of the CCPF. The execution and disbursement period will be 24 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; and (c) GN-2303-20 for logistics and other related services.
- 5.2 The Development Bank of Jamaica (DBJ) has previous experience executing IDB projects (such as JA-L1075: "Credit Enhancement Programme for Micro, Small and Medium Enterprises (MSME)", and JA-M1030: "Supporting the Development of an Entrepreneurial and Early Stage Ecosystem in Jamaica"). Furthermore, the DBJ has expertise and capacity for managing and executing innovation programs. These include: (i) The Jamaica Venture Capital Programme (JVCP) led by the Development Bank of Jamaica (DBJ) which has a focus on developing an entrepreneurial and early stage ecosystem in Jamaica, the National Business Model Competition developed under the JVCP which encourages innovation in local university students and the development of creative enterprises, the National Business Plan Competition supported by the Development Bank of Jamaica (DBJ) to encourage innovation in local university students and the development of creative enterprises; and (ii) the IGNITE Program, now in its second phase –a DBJ grant program for promising start-up businesses to enable them to move from prototype to commercialization. It is reported, that the IGNITE Phase 1 saw "215 full time jobs created; US\$225 million in investments generated; and entities realizing approximately US\$109 million in revenues from the domestic market and exports".

VI. Project Risks and Issues

- 6.1 A key risk is the implementation of the innovation fund designed under this project. To mitigate against such risk, the design of the fund will take a participatory approach in giving agency to key stakeholders, especially those in the private sector, that would be crucial for incentivizing and lobbying for the fund's implementation following the closure of this TC.

VII. Environmental and Social Classification

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