

TC ABSTRACT

I. Basic Project Data

▪ Country/Region:	REGIONAL/IDB
▪ TC Name:	Strengthening the Entrepreneurship and Innovation Ecosystems in the OECS
▪ TC Number:	RG-T3517
▪ Team Leader/Members:	MAGENDZO WEINBERGER, ADRIAN (IFD/CTI) Team Leader; BERTRAND, ANNIE (IFD/CTI); SWIFT, KIERON KERN EDWARD (IFD/CTI); KELLY CASTILLO, EMILY LETICIA (IFD/CTI); GONZALEZ ALZUALDE, YOHANA BEATRIZ (IFD/CTI)
▪ Taxonomy:	Client Support
▪ Number and name of operation supported by the TC:	N/A
▪ Date of TC Abstract:	03 Sep 2019
▪ Beneficiary:	Beneficiary countries of Compete Caribbean Partnership
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK
▪ IDB funding requested:	US\$600,000.00
▪ Local counterpart funding:	US\$105,103.00 (In Kind)
▪ Disbursement period:	30 months
▪ Types of consultants:	Individuals; Firms
▪ Prepared by Unit:	Competitiveness, Technology and Innovation Division
▪ Unit of Disbursement Responsibility:	Institutions for Development Sector
▪ 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:	Social inclusion and equality ; Productivity and innovation ; Gender equality

II. Objective and Justification

- 2.1 The objective of this Technical Cooperation (TC) is to strengthen the entrepreneurship and innovation ecosystems of six member states of the Organisation of Eastern Caribbean States (OECS) - namely Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, Saint Lucia, St. Vincent and the Grenadines through the provision of technical support for incubation of high-potential startups, acceleration of high-growth and high-potential small and medium enterprises (SMEs), and promoting the adoption of digital financial technology solutions by firms of all sizes.
- 2.2 An entrepreneurship and innovation ecosystem is the interdependent set of firms, institutions, laws, norms and practices that create the conditions for productive entrepreneurship and innovation in a territory. This TC is developed under Instrument 2 “Stimulating entrepreneurship and innovation in the private sector” of the Compete Caribbean Partnership Facility’s Pillar 1 “Productivity and Innovation in Firms”. This TC follows from a diagnostic of the beneficiary member states. The diagnostic revealed that in all territories, there are a number of institutions in both public and private sectors that operate to support entrepreneurship. Small business associations, sectoral networks, dedicated small enterprise units, and development financing institutions are chief among the types of supporting institutions that exist. Nevertheless, key weaknesses were identified across the six ecosystems. In each beneficiary member state, most entrepreneurship support programs are geared towards necessity entrepreneurs, i.e. those who start a business due to lack of

alternative options. This preponderance of support comes in contrast to that provided for opportunity entrepreneurs, i.e. those who start a business in response to an identified market opportunity. The relative lack of support for opportunity entrepreneurship and innovation in the region, and high demand from the entrepreneurial community, combine to create opportunities for a CCPF-supported initiative to provide additionality, and for the CBU to find a supporting niche that adds significant value to its stakeholders. To this end, the Compete Caribbean Partnership Facility is supporting the implementation of a project titled Strengthening the Entrepreneurship and Innovation Ecosystems in the OECS. The ultimate goal of this project is to enhance the synergies among the interdependent set of firms, institutions, laws, norms and practices that create the conditions for productive entrepreneurship and innovation, in a manner that creates measurable impact in the sub-region. The specific objectives of the project are to: i) increase the availability of relevant support services to growth-oriented and potentially innovative firms in the OECS; and ii) strengthen the capacity of the OECS CBU as an active contributor to innovative entrepreneurship in the region. This proposal is aligned to the IDB Institutional Strategy to 2020, in terms of addressing social exclusion and inequality by including underserved segments of the population in financial markets, addressing low productivity and innovation by developing quality human capital and strengthening innovation ecosystems, and facilitating regional economic integration by building capacity within firms so that they can be inserted into value chains. The proposal is also aligned to the Compete Caribbean Partnership Facility's objective of supporting the Caribbean region in increasing productivity, and specifically, increasing the innovation and technology adoption of women-led and men-led firms and increasing the technical capacity of support institutions to stimulate productivity and innovation in firms.

III. Description of Activities and Outputs

- 3.1 **Component I: Hybrid Business Incubation Program.** . This component will finance the design and implementation of a hybrid network of business incubators, targeting two high-potential but underserved demographics in the OECS
- 3.2 **Component II: Acceleration program for high-potential firms.** This component will finance building a community of high-potential firms, defined as those that have been in business for at least 2 years, are currently selling an operational product or service to customers, have a track record of success, are willing to pay for capacity building services, and have a leadership team committed to learning and growing
- 3.3 **Component III: Increasing access to digital financial services in the OECS.** . This component will finance activities such as: 1) technical assistance to bank and non-bank financial institutions; 2) technical assistance to financial services regulators within the OECS t; and 3) Dissemination and awareness building activities that will accelerate adoption of digital payment and other digital financial services.

IV. Budget

Indicative Budget

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
Hybrid Business Incubation Program.	US\$150,000.00	US\$0.00	US\$150,000.00
Acceleration program for high-potential firms	US\$350,000.00	US\$105,103.00	US\$455,103.00
Increasing access to digital financial services in the OECS.	US\$100,000.00	US\$0.00	US\$100,000.00
Total	US\$600,000.00	US\$105,103.00	US\$705,103.00

V. Executing Agency and Execution Structure

- 5.1 Executing Agency (EA): This TC will be executed by the Competitive Business Unit (CBU) of the OECS Commission in collaboration with the Bank through the Competitiveness and Innovation Division (IFD/CTI) in coordination with the Facility Coordination Unit (FCU) of the Compete Caribbean Partnership Facility (CCPF), approved under GN-2851, established in COF Barbados. Executing mechanism: The CBU will provide the overall oversight of the TC but will liaise with the team at the IDB when necessary. A Technical Specialist, who is also the Officer in Charge of the CBU, with technical knowledge and project management skills will be assigned to oversee all the activities developed under this proposal. The FCU will assist in the Program's execution by liaising with the EA when required, providing fiduciary support and ensuring that disbursement requests are received and processed in a timely manner. The disbursement requests and processing workflow will be led by the Team Leader of the Program, with support from the FCU. As the Competitive Business Unit of the OECS Commission is based in Dominica, which is a non-member country of the IDB, the IDB Charter requires the Bank to work with the Caribbean Development Bank (CDB) in cases where the OECS countries (e.g. Dominica), which are non-Bank members, are direct beneficiaries of Bank funds. Procurement: The procurement of consulting firms will be carried out by the executing agency in accordance with the IDB Policy for the Selection 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 the executing agency in accordance with IDB Corporate Procurement Policy (GN-2303-20). In accordance with the 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).
- 5.2 The Competitive Business Unit (CBU) is the primary sub-regional institution of the OECS Member States for the development, promotion, and expansion of exports through the mobilization of technical and financial support for traditional and emerging sectors, and the provision of advice and assistance to member Governments and the public sector agencies. The CBU has evolved from its original mandate as an export promotion agency concerned primarily with export growth performance for manufactured products to a new entity charged with promoting competitiveness of the regional private sector across traditional and emerging high-potential sectors. Commission in collaboration with the Bank through the Competitiveness and Innovation Division (IFD/CTI).

VI. Project Risks and Issues

- 6.1 Cooperation from Implementation Partner: A key assumption of this TC is the full support of the OECS CBU as an active partner in implementation. The Unit has expressed an interest in playing a more active role supporting private sector development in the region. The CBU was involved in the preparatory research activity which informed the development of the TC, chiefly through facilitation of stakeholder engagement. However, it was noted that the Unit's reach with stakeholders appeared to be somewhat limited in Antigua and Barbuda, St. Kitts and Nevis and St. Vincent and the Grenadines, relative to the remaining three beneficiary member states. Considering the goal of this programme to have equitable impact across all beneficiary member states, it is essential that key stakeholders in all 6 countries be sensitized and onboarded to the programme in the shortest possible time. As of February 2019, the CBU's head office in Dominica is under construction, with accompanying logistical challenges, though it is anticipated that this should be completed in time for implementation of the TC.

VII. Environmental and Social Classification

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