

PROJECT PROFILE

I. BASIC DATA

Project Name:	COMPETE CARIBBEAN: Private Sector Development & Competitiveness in the Caribbean		
Project Number:	RG-X1044		
Project Team:	Jose Jorge Saavedra (CMF/CBA), Project Team Leader; Maria Carina Ugarte (ICF/CMF); Francisco Demichelis (ICF/CMF); Gabriel Casaburi (CMF/CAR); Shireen El-Wahab (CMF/CGU); Andrea Terán (ICF/CMF); Carlos Guaipatin (SCL/SCT); Nathaniel Jackson (VPP/VPP); Jorge Roldan (DGM/TAS), Peter Stoute-King (CFI/CTT), David Bloomgarden (MIF/MIF), Dana Martin (OMJ/OMJ); Pamela Coke-Hamilton (INT/INT); Diego Buchara (LEG/SGO); and Annabella Gaggero (ICF/CMF).		
Beneficiaries:	Antigua and Barbuda; The Bahamas; Barbados; Belize; Dominican Republic, Dominica; Grenada; Guyana; Haiti; Jamaica; St Lucia; St Kitts and Nevis; St Vincent and the Grenadines; Suriname; and Trinidad and Tobago.		
Executing Agency:	The Inter-American Development Bank		
Execution period:	The TC will be executed in 5 years and disbursed in 6 years		
Financial Plan¹:	CIDA: CAN 20 million	US\$	17.40 million
	DFID: £10 million	US\$	16.48 million
	Total:	US\$	33.88 million
Safeguards:	Policies triggered: OP-703	Classification: "C"	

II. GENERAL JUSTIFICATION AND OBJECTIVES

- 2.1 In order to increase economic growth, income levels and employment, Caribbean countries are moving towards a single market and economy. However, even when fully integrated regionally, the market will still be small and the trade-related gains might be modest. For that reason, it is imperative that governments promote full intra-regional integration and market liberalization, while preparing for the challenges and opportunities resulting from external trade agreements like the Economic Partnership Agreement, recently signed with the European Union.
- 2.2 Better access to markets is fundamental, but not sufficient. The benefits derived from free trade will be neither achievable nor sustainable without public and private improvements in national and regional competitive factors. On the one hand, Governments will have to play an active role in the transition by supporting improvements in infrastructure; fostering a business climate that encourages and rewards innovation, initiative and risk-taking; offering transparent laws and

¹ Exchange Rate as of July 1, 2009: 1CAD = 0.87 US\$ and 1£=1.648US\$

regulations and a stable macroeconomic environment. On the other hand, the private sector will need to be strengthened to encourage inter-firm collaboration, entrepreneurship, diversification, innovation, and value added exports.

- 2.3 The lessons² learned by the Bank in implementing competitiveness programs show that one-shot, isolated interventions and stand-alone projects to address particular issues of private sector development have little impact in developing the private sector as a whole, in particular in smaller countries. To enhance private sector development and increase the impact of Private Sector Development projects, there is a need for a comprehensive program that will link productive development policies to business climate reforms to cluster development initiatives and to improvements at the firm-level. To develop such a strategy, governments and the private sector need to agree on a medium-run agenda to improve competitiveness, prioritizing strategic investments, policy reforms, institutions, instruments and initiatives to boost the private sector.
- 2.4 Canada and the UK are among the most important donors in the Caribbean, supporting programs in all key areas of economic and social development. As well, the Bank is the main source of multilateral ODA to the region, with substantial expertise and experience in designing and executing projects in different areas of private sector development and competitiveness in LAC.
- 2.5 Implementing the Rome Declaration on Donor Harmonization, and the Paris Declaration on Aid Effectiveness, Canadian International Development Agency (CIDA), UK's Department for International Development (DFID) and the Bank, working together, have the opportunity to: i) develop a larger, more comprehensive private sector approach to address the growth challenges across the region; ii) increase the development impact of private sector development projects under a joint program; iii) minimize transaction costs of designing and managing separate programs; iv) simplify the process of accessing funding, by providing governments, NGOs and firms a single entry point; and v) enhance the Program's visibility and achieve support from governments, civil society and private sector organizations.

A. Objectives

- 2.6 The ultimate goal of this Program is to contribute to the increase of the standard of living and quality of life of women and men in the Caribbean, the enhancement of the competitiveness of the Caribbean region, and increase the development impact of private sector development projects while emphasizing equality between women and men and environmental sustainability.
- 2.7 The objective of the Program is to help increase: i) donor harmonization and coherence, equity and sustainability of national and regional private sector strategies.; ii) the efficiency and effectiveness of Caribbean governments to

² See [Link 1](#) for a description of some of the Bank's competitiveness programs in the last five years.

- promote a competitive, growth-oriented business and investment climate; and iii) innovation, productivity, value added production, sales and sustainability in key Caribbean clusters and value chains, and product sophistication, productivity and exports of individual firms.
- 2.8 This Program is consistent with the Bank's Regional Strategy for CARICOM in the period 2007-2010, and with the Country Private Sector Development Strategies (PSD) for The Bahamas, Barbados, Jamaica, Suriname, Trinidad & Tobago, and Guyana.

B. Program Structure

1. Component 1: Comprehensive Framework for Private Sector Development

- 2.9 **Sub-Component 1.1: Private Sector Development Strategies:** Develop Regional and National Private Sector Development Strategies for all participating countries, which will identify, guide and prioritize the set of interventions needed in each country and those needed regionally to improve competitiveness. These strategies will serve as inputs to develop action plans that prioritize reforms, institutional strengthening, and other initiatives to boost the private sector, to be financed by the Program.
- 2.10 **Sub-Component 1.2: Donor Matrix:** Develop an instrument to increase information sharing, learning and coordination among PSD projects being financed by donors in the region in order to increase their development impact.
- 2.11 **Sub-Component 1.3: Knowledge Management Program:** Guarantee the pertinence of the projects being financed by supporting initiatives to: i) maintain an open dialogue with relevant key thinkers and practitioners working in the areas of Small Vulnerable Economies, Small Island Developing States and private sector development issues applied to the Caribbean; ii) constantly evaluate the impact of the projects being implemented to draw lessons learned; and iii) share knowledge with multiple stakeholders in the region.

2. Component 2: Business Climate and Competitiveness Enhancement Facility

- 2.12 **Sub-Component 2.1: Business Climate and Competitiveness Enhancement Technical Cooperation:** Support the expansion of private sector participation and increase government effectiveness and efficiency in overcoming or preventing market failures, reducing burdensome transaction costs, providing an overall sound environment for private sector development.
- 2.13 **Sub-Component 2.2: Technical Assistance to support Public-Private Dialogue on Competitiveness:** Support the establishment and strengthening of formal national competitiveness councils and their technical units promoting equitable representation from government, private sector, civil society, unions and

other relevant stakeholders; and promote public-private agreement on regional and national agendas to prioritize investments, policies and instruments to promote private sector development.

3. Component 3: Enterprise Innovation Challenge Fund

- 2.14 **Sub-component 3.1: Support to Cluster and Value Chains:** Enhance the competitiveness of clusters by supporting business development processes and linkage among market players, reducing the cost of doing business, developing strategic joint projects, creating new business opportunities and supporting the integration of clusters to regional and global value chains.
- 2.15 **Sub-Component 3.2: Direct-Firm Support:** Increase the generation of employment and income by strengthening Caribbean businesses. The component will provide grants for technical assistance and working capital to finance innovative ventures, develop new products, implement new business models and enter new markets.

III. EXECUTION ISSUES AND RISKS

- 3.1 **Executing Agency.** Given the Bank's substantial expertise and experience in designing and executing projects in different areas of private sector development and competitiveness in LAC, and because of our leadership and presence in eight CARIFORUM countries, the execution of the Project will be managed and implemented by the Bank through a Program Coordination Unit to be established in COF Barbados.
- 3.2 **Program Financing:** Given that this Program will be financed with substantial contributions from CIDA and DFID, the Bank will need to sign "Administrative Arrangements" with each organization, pursuant to the "Operational Procedures for Grant Co-financing Contributions Administered by the Bank" ("COFAB") (Document CC-5732), and under the existing Cooperation Framework Arrangements with each of these donors. Such arrangements will establish the terms and conditions applicable to DFID's and CIDA's contributions to finance this technical cooperation operation. Under such arrangements, the Bank will administer the resources for this TC, and will charge an administrative fee of two percent (2%) to CIDA and five percent (5%) to DFID of those contributions, which shall be duly identified in the budget of the Plan of Operations of this technical cooperation.
- 3.3 **Bank Contribution.** In addition to the resources provided by CIDA and DFID, the Bank will provide all necessary support for the implementation of the Program which has an estimated cost of US\$9,28 million to be financed with administrative resources allocated within VPS and VPC, including a cash contribution of \$1.25 million from Regional Technical Cooperation Funds. This contribution should not be included in the budget or total cost of the TC. (See [Link 3](#))

- 3.4 **Implementation in the OECS countries:** The Bank will work with the CDB to determine the best option available for the institutional arrangement needed for financing/execution of projects in the OECS countries.
- 3.5 **Risks.** Given the Program's approach, the principal risk is whether effective coordination can be achieved among members of regional organizations, government agencies, private sector and other relevant stakeholders, which traditionally have worked independently. To minimize the risk, the Program contemplates investing time and resources in launching an initiative to generate commitment from multiple stakeholders and in promoting public-private dialogue to achieve sustainability of the effort.
- 3.6 In addition, there is the risk that public and private institutions will not show the expected level of demand or capacity to present proposals to be funded by the Program. The risk is being overcome by giving assistance and support to project preparation and by supporting communication efforts to inform and motivate the different stakeholders. Under this operating arrangement, the technical team in the PCU and other Bank specialists will retain coordination and quality control of technical services during the entire project cycle.
- 3.7 Low institutional capacity in the Caribbean and the difficulty of implementing multi-country and regional programs represent a challenge. This is being overcome by including activities for institutional strengthening in the different projects setting clear guidelines for the scope, timeline and responsibilities for execution and planning to maintain close dialogue with national governments and regional organizations.

IV. SAFEGUARDS AND FIDUCIARY SCREENING

- 4.1 Since the Program consists mainly of technical assistance and investments in equipment, with no resources used to finance infrastructure, no significant adverse environmental impacts are envisaged. According to the ESR toolkit, this Program has been classified as Category "C". Nevertheless, the Manual of Operations will require that all projects include a sustainable environmental strategy.

V. RESOURCES AND TIMETABLE

- 5.1 Distribution of the POD to the QRR is expected in the third week of August 2009. About US\$22,928.00 will be required for a total of six missions, and US\$28,863.00 for consultancy services. (See Annex V).

COMPETE CARIBBEAN (RG-X1044)
Annex I: Development Effectiveness Matrix Summary

The content of this document is confidential.

SAFEGUARD POLICY FILTER REPORT

This Report provides guidance for project teams on safeguard policy triggers and should be attached as an annex to the Project Concept Document (or equivalent) together with the Safeguard Screening Form, and sent to ESR.

1. Save as a Word document. 2. Enter additional information in the spaces provided, where applicable. 3. Save new changes.

PROJECT DETAILS	IDB Sector	Private Sector Development
	Project Type	Grant Co-financing Contributions (COFAB)
	Additional Operation Details	
	Country	Regional
	Project Status	New Operation
	Investment Checklist	Generic Checklist
	Team Leader	José Jorge Saavedra
	Project Title	COMPETE CARIBBEAN: Private Sector Development & Competitiveness in the Caribbean
	Project Number	RG-X1044
	Safeguard Specialist(s)	<i>To be completed by assessor</i>
	Assessment Date	2009-05-29
	Assessment Number	2009-05295038-2
	Additional Comments	

SAFEGUARD POLICY FILTER RESULTS	Project Type	Other Lending or Financing Instrument (enter details in final report)	
	Safeguard Policy Items Identified (Yes)	In-country systems are being used.	(B.16)
	Potential Safeguard Policy Items (?)	No potential issues identified	
	Recommended Action	Operation has triggered 1 or more Policy Directives; please refer to appropriate Directive(s). Complete Project Classification Tool. Submit Safeguard Policy Filter Report, PCD (or equivalent) and Safeguard Screening Form to ESR.	
	Additional Comments	<i>Policy Directives can be accessed from the Resources tab on the Toolkit home page.</i>	

ASSESSOR DETAILS	Name of person who completed screening:	Annabella Gaggero
	Title	Project Assistant
	Date	2009-05-29

SAFEGUARD SCREENING FORM

This Report provides a summary of the project classification process and is consistent with Safeguard Screening Form requirements. The printed Report should be attached as an annex to the Project Concept Document (or equivalent) (together with the Safeguard Policy Filter Report) and sent to ESR.

1. Save as a Word document. 2. Enter additional information in the spaces provided, where applicable. 3. Save new changes.

PROJECT DETAILS	IDB Sector	Private Sector Development
	Project Type	Grant Co-financing Contributions (COFAB)
	Additional Operation Details	
	Country	Regional
	Project Status	New Operation
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	Project Title	COMPETE CARIBBEAN: Private Sector Development & Competitiveness in the Caribbean
	Project Number	RG-X1044
	Safeguard Specialist(s)	<i>To be completed by assessor</i>
	Assessment Date	2009-05-29
	Assessment Number	2009-05290827-2
	Additional Comments	

PROJECT CLASSIFICATION SUMMARY	Project Category: C	Override Rating:	Override Justification:
	Conditions/Recommendations	<ul style="list-style-type: none"> Normally no environmental impact assessment studies or consultations are required for Category "C" operations. Some Category "C" operations may require specific safeguard/monitoring requirements (Policy Directive B.3). These operations will establish safeguard/monitoring requirements for environmental and other risks (social, disaster, cultural, H&S etc.) The Project Team must send to ESR the PP or PCD (or similar) containing the E&S Strategy (the requirements for an ESS are described in the Environment Policy Guideline: Directive B.3) plus the Safeguard Policy Filter and Screening Form Reports. <p><i>Policy Directives can be accessed from the Resources tab on the Toolkit home page.</i></p>	

SUMMARY OF IMPACTS/RISKS AND POTENTIAL SOLUTIONS	Identified Impacts/Risks	Potential Solutions
	No issues identified	

ASSESSOR DETAILS	Name of person who completed screening: Annabella Gaggero	Date: 05/29/2009
	Comments:	

REGIONAL

COMPETE CARIBBEAN: PRIVATE SECTOR DEVELOPMENT & COMPETITIVENESS IN THE CARIBBEAN (RG-X1044)

ANNEX III. ENVIRONMENTAL AND SOCIAL SAFEGUARD STRATEGY (ESS)

1. Context

- 1.1 The interdependence of the environment and the economy is particularly evident in the Caribbean region. The economies rely mostly either on the tourism industry (contributing a third to a half of GDP in most countries)¹, agriculture or mineral extraction which all involve the natural resources of the region. In addition, Small Island Developing States (SIDS) are increasingly exposed to the potential problems of global climate change such as an increase in the intensity and frequency of natural disasters and sea level rise. Environmentally sustainable practices are necessary to ensure long-term economic growth in the region.
- 1.2 CIDA's *Policy for Environmental Sustainability* (1992) requires that environmental considerations be integrated into decision-making across all policies, programs, and projects. In addition, the *Canadian Environmental Assessment Act (CEAA)* sets out the obligations and procedural requirements for the environmental assessment of projects to be funded by CIDA. Furthermore, the government of Canada's Cabinet Directive on Strategic Environmental Assessment (SEA) requires that, in addition to examining and addressing the potential adverse effects of a project, opportunities be sought for enhancement of the positive environmental effects of the project.
- 1.3 The "*Private Sector Development & Competitiveness in the Caribbean*" program will be guided by the above laws and policies, and those of the Bank, namely, the Environment and Safeguards Compliance Policy (GN-2208-20 and OP-703). This policy commits the Bank "toward mainstreaming environmental considerations across sectors, safeguarding the environmental quality of all Bank operations and making the Bank socially and environmentally responsible within its own facilities"². Some of the procedures from the policy that will be put into practice in the "*Private Sector Development & Competitiveness in the Caribbean*" program are: "as environmental assessments, consultations with local populations and other stakeholders, safeguards, incorporation of sustainability principles into country strategies and application of best practices and standards of the international community"

2. The Program

- 1.4 The objective of the Program is to increase the standards of living, quality of life of women and men, enhance the competitiveness of the Caribbean region, and

¹ World Bank, Tourism and Environment
<http://wbln0018.worldbank.org/external/lac/lac.nsf/Countries/OECS/>

² http://www.iadb.org/sds/ENV/site_5512_e.htm

- increase the development impact of private sector development projects whilst adhering to principles of gender mainstreaming and environmental sustainability.
- 1.5 The Program will support productive development policies, business climate reforms, clusters and SME development activities within a comprehensive private sector development framework. Given that gender mainstreaming, as well as protecting the environment are essential components of sustainable economic growth and poverty reduction, the Program will prioritize projects that have the potential to have positive impact in poverty reduction, gender-equality, and environmental sustainability.
- 1.6 A preliminary analysis of the project shows that it has the potential to address many of the islands' needs that do not permit them to develop properly, and consequently reduce poverty. Among the potential positive effects, the project will help develop concerted actions to increase competitiveness in the Caribbean through technical assistance on international environmental standards, promotion of clean technologies and environmental practices, and capacity building of key stakeholders in the project. These interventions will converge to produce concrete results from the outcome to the output levels.

3. Environmental and Social Management

- 1.7 As the investment in infrastructure is limited, no significant adverse environmental impacts are envisaged. Nevertheless, the Manual of Operations will require that the investments in infrastructure and equipment are environmentally feasible both during rehabilitation and subsequent utilization. To this end, there will be cross reference to various policy documents as appropriate (IADB: (i) Guide for Improving the Environmental Quality of Lending Operations for Micro Enterprises (número); and (ii) Environment and Safeguards Compliance Policy (GN-2208-20) to ensure that environmental mitigation measures are put in early, and that the environment is mainstreamed in all project activities).

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COMPETE CARIBBEAN: PRIVATE SECTOR DEVELOPMENT & COMPETITIVENESS IN THE CARIBBEAN (RG-X1044)

ANNEX IV. INDEX OF COMPLETED AND PROPOSED SECTOR WORK

Issues/Description	Status	References & hyperlinks to technical files
1. Sector Work		
Productive Development Policies in Trinidad and Tobago: A critical review	Completed	http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=2012045
Caribbean Competitiveness Report – Chapter on Financial Market Development	Completed	http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=2012050
Caribbean Competitiveness Report – Chapter on Institutions and Legal Framework for Business Development	Completed	http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=2012051
Industrial Policies in Barbados	Completed	http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=2012053
Productive Development Policies in Jamaica	Completed	http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=2012054
Policies for Achieving Structural Transformation in the Caribbean	Completed	http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=2012055
2. Relevant Background Information		
CIDA - Caribbean Community Strategic Programming Framework		http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=2012047
DFID Caribbean Growth Scoping Study – Institutional mapping		http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=2012048
Doing Business 2008 – The Caribbean		http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=2012049
Conference on the Caribbean – International Competitiveness of Caribbean Countries		http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=2012052
UK Regional Development Strategy for the Caribbean – DFID Framing Paper: The Caribbean at a Crossroads		http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=2012057
World Economic Outlook – October 2008 (IMF)		http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=2012373

V Summit of the Americas – Draft Declaration of Commitment: “Securing Our Citizens’ Future by Promoting Human Prosperity, Energy Security and Environmental Sustainability”		http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=2012374
CARIBBEAN: Accelerating Trade Integration Policy Options for Sustained Growth, Job Creation, and Poverty Reduction (The World Bank)		http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=2012376
The Global Competitiveness Report 2008 - 2009		http://www.weforum.org/documents/GCR0809/index.html

COMPETE CARIBBEAN (RG-X1044)
Annex V: Resources and Time Table for Project Preparation

The content of this document is confidential.