



TITLE: The Compete Caribbean Program: Donor Collaboration to Support Private Sector Development & Competitiveness in the Caribbean

Country: CARIFORUM

Institution: The Compete Caribbean Program is jointly funded by the Inter-American Development Bank (IDB), the United Kingdom Department of International Development (DFID) and the Foreign Affairs, Trade and Development Canada (DFATD) and operates in partnership with the Caribbean Development Bank (CDB).

Type of Institution: Program Coordination Unit

Other institutions involved: Inter-American Development Bank, the United Kingdom Department of International Development (DFID), the Foreign Affairs, Trade and Development Canada (DFATD) and the Caribbean Development Bank

Countries involved: 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, Trinidad and Tobago

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Webpage: www.competecaribbean.org

Context

Caribbean countries are facing some of the most severe economic challenges known to the region in decades. The region is particularly exposed to the effects of the global financial crisis, not just due to the size of the countries and their relative openness, but also because of an economic environment that is constrained by high indebtedness, low/slow growth and an uncompetitive environment for business development. The average economic growth of Caribbean countries in the last four decades has been moderate compared to other regions of the world.

Competitiveness is of particular importance for small states if they are to overcome the inherent limitations posed by their size and take advantage of global trade. An assessment of the competitiveness performance of the countries included in The Global Competitiveness Report 2012-2013 shows that even though there are significant variations among CARIFORUM countries, they all reflect persistent and common weaknesses in factors such as high export concentration, tariff dispersion, high trade costs,

weak infrastructural sophistication, low competition among firms and the high transactional costs of doing business in the region.

To change the status quo, Caribbean Governments have agreed to play an active role in fostering a business climate that encourages and rewards innovation and risk-taking and in turn, the private sector needs to encourage inter-firm collaboration, entrepreneurship, diversification, and value added exports. To support such efforts, in an unprecedented move towards donor collaboration on issues of competitiveness, innovation and private sector development, the three largest development partners in the Caribbean have joined forces to establish the Compete Caribbean Program.

The Compete Caribbean Program is a US\$40M private sector development program jointly funded by the Inter-American Development Bank (IDB), the United Kingdom Department of International Development (DFID) and the Foreign Affairs, Trade and Development Canada (DFATD). Compete Caribbean provides technical assistance grants and investment funding to support productive development policies, business climate reforms, clustering initiatives and Small and Medium Size Enterprise (SME) development activities in the Caribbean region.

Objectives

The ultimate goal of the program is to foster sustainable economic growth and enhance competitiveness in the Caribbean. The specific objective is to have (i) increased consensus and focus on strategic interventions to promote private sector development; (ii) improved enabling environment for business development, trade and integration; and (iii) enhanced capacity of clusters and firms to increase productivity and compete in national, regional and global markets in a sustainable manner.

The Program has three pillars: (i) Comprehensive Framework for Private Sector Development; (ii) Business Climate and Competitiveness Enhancement Facility; and (iii) Enterprise Innovation Challenge Fund.

Pillar 1- Comprehensive Framework for Private Sector Development and Knowledge Management: The objectives of this component are to: (a) increase regional and national consensus and focus on strategic and priority interventions promoting private sector development; (b) increase the synergies among donor-supported PSD projects; and (c) strengthen knowledge management to ensure the transmission of PSD best practices, evaluation of interventions' impact, and knowledge exchange with national and regional stakeholders.

Pillar 2- Business Climate and Competitiveness Enhancement Facility (BCCE): The objectives of this component are to: (a) implement productive development policies and business climate reforms; and (b) foster public-private dialogue and strengthen competitiveness councils and their Technical Units (TU).

Pillar 3- Enterprise Innovation Challenge Fund (EICF): The objectives of this component are to: (a) enhance the development of the productive sector, by supporting clusters and value chains to compete in regional and global markets; and (b) increase the generation of employment and income by strengthening Caribbean businesses with resources to finance innovative ventures, develop new products, implement new business models, and enter new markets.

Relevance

Being the largest multi-donor technical assistance program focused on Private Sector Development in the Caribbean, Compete Caribbean is strategically poised to aid Caribbean nations on their path to sustainable economic and social development. The Program has four characteristics that make it an extremely relevant instrument to stimulate private sector activity and growth at this critical time. First, the Program's systematically researches the state of private sector development in each country to diagnose strategic areas of public policy and/or private sector potential where technical assistance can make a difference. Second, the Program is the only one in the region to systematically provide technical assistance to governments for policy and regulatory reform to strengthen their institutions and improve the business climate. Third, the Program is the only one in the region to stimulate innovation in the private sector by providing sizeable matching funds of between USD100, 000 and USD500, 000 through a demand-driven, competitive process. Fourth, the Program's three components are interlinked, thus leveraging the potential benefits of each intervention. Therefore, research uncovers policy reforms and areas that merit private sector investment stimulus in a complementary manner.

Aside from its unique design, Compete Caribbean draws on a wide pool of local and international experts and builds alliances with institutions and universities from across the globe. As a result of these linkages, Compete Caribbean has managed to position itself as one of the key players in the Caribbean with regards to unraveling issues facing governments and private sector participants.

Projects financed under CC are selected on a competitive basis. This has forced both governments and private entities in the region, particularly entrepreneurs, as well as Caribbean Diaspora living in the United Kingdom, Canada and the United States of America to submit proposals of high technical standards.

Additionally, all projects financed by the program strive to mainstream gender equality and environmental sustainability by including gender and environment expert advice in every project team. Similarly, an expert on monitoring and evaluation is included to maintain the focus on ensuring projects contribute to the overall objectives of the program, and have measurable results.

Implementation

By providing technical assistance grants and investment funding, the comprehensive approach of the Program incorporates:

- Generating knowledge for the development and implementation of evidence-based Productive Development Policies that link business climate reforms to cluster development initiatives and to improvements at the firm-level.
- Improving the business climate in order to encourage business creation, formalization and to allow SME owners access to finance.
- Strengthening cluster development, formalizing inter-firm linkages, generating a common and integrated cluster level strategic plan, facilitating the dissemination of strategic information among cluster members. Providing tailor-made technical assistance to increase productivity, upgrading firm's operations and strategy, facilitating technology absorption and increasing the capacity for innovation.

Along with the provision of technical assistance grants and investment funding, Compete Caribbean uses/generates a combination of training sessions, study tours, studies and reports, workshops and round table discussions, and marketing campaigns.

Distribution of tasks

The implementation of the Program is managed by the IDB, with operational responsibilities delegated to a Program Coordination Unit (PCU) established in the Bank's Country Office in Barbados. Implementation in the Organization of Eastern Caribbean States is coordinated with the Caribbean Development Bank (CDB). DFID and DFATD provide critical technical advice and maintain a close working relationship with the PCU in Barbados.

Achievements and results

To date, a total of 21 Business Climate Reform projects have been approved and 43 Knowledge Products developed. Activities associated with these initiatives have resulted in: (i) technical assistance to draft/revise 14 pieces of legislation and establish or strengthen competitiveness councils in Saint Lucia, Trinidad and Tobago and Suriname; (ii) the hosting of over 20 Public Private Dialogue events; (iii) technical assistance to strengthen and support 4 investment promotion agencies and; (iv) the training of over 1,500 Caribbean persons on applications of cutting edge research for development and competitiveness.

As it relates to the support to the private sector, the program is currently managing 28 operations, 14 operations each under the Direct Firm Support /Innovation Window and the Support to Clustering Initiatives window. Together, the 28 projects under the Component have netted a worth of US\$ 10.6 million and a wide geographical spread across the 15 beneficiary countries.

In addition, to facilitate thought leadership and research on issues related to competitiveness and innovation in the Caribbean, the Program partnered with the University of the West Indies (UWI) to establish the Caribbean Centre for Competitiveness (CCfC) at UWI's St. Augustine Campus in Trinidad and Tobago. The CCfC was launched in March 2011 and is intended to fill a void by: (i) serving as a hub for a network of institutions studying competitiveness in the region; (ii) building capacity to design and implement projects on competitiveness; (iii) acting as the central repository of information and data related to competitiveness; (iv) providing an independent forum for public and private sectors to discuss competitiveness issues, and (v) coordinating academic programs to teach concepts and tools for developing and enhancing competitiveness in the region.

Furthermore, the Program in collaboration with the Inter-American Development Bank, UKAid and DFATD, has brokered an agreement with the World Bank, the Caribbean Development Bank, The European Union, CARICOM Secretariat, the Organisation of Eastern Caribbean States Secretariat, the Caribbean Export Development Agency, and the University of the West Indies to coordinate a series of public-private dialogue initiatives aimed at better understanding the dynamics and future drivers of growth in the region. This partnership, called the Caribbean Growth Forum (CGF) is expanding the pool of contributors to policy discourse on growth through creative tools such as social media, thus giving a voice to the private sector, youth, civil society and the Caribbean Diaspora.

Preparation started in 2011 and led to the launch of the initiative in June 2012 in Jamaica to a broad audience of policy makers, private sector and civil society from across the region. Since then, 12 countries have opted-in to the process –by establishing their National CGF Chapters- and publicly presented the results of their national dialogues and the plans for implementation during a region-wide workshop in The Bahamas on June 24-25, 2013 (see: <http://caribgrowth.competecaribbean.org/>). The CGF Regional Workshop provided an opportunity to share and validate the results of the action plans of the national chapters, where all stakeholders were engaged in identifying and prioritizing reforms over

the past 8 months. Participation in the CGF has been generally high and balanced. The launching event in Jamaica (June 2012) was attended by 200 people, whereas the Regional Event in The Bahamas was attended by more than 400 people. More than 2000 people attended the 12 National Chapters kick-off events followed by 6 to 7 weekly meetings of each working group, involving more than 1500 people. In these working groups, participation was on average half by Public Sector representatives, a third by Private Sector representatives and about a fifth by academia and civil society organizations. This is an impressive coalition being formed and will be enhanced and sustained throughout Phase 2. The CGF has also been an effective mechanism for development partner coordination. The increased interest and engagement of the partners mentioned earlier will be key for development in the region as the initiative enters the implementation phase.

Unexpected achievements

There has been a high demand for Compete Caribbean resources from beneficiary countries. This high demand shows that the Caribbean governments and private sectors are aware of the need to improve the region's level of competitiveness. Furthermore, there are significant efforts to build a working relationship between competitiveness councils in the Caribbean and Latin America, which is undoubtedly strengthened with the existence of the RIAC.

Experience and Sustainable Results

Compete Caribbean has three mutually reinforcing pillars that support different types of interventions to enhance competitiveness, increase economic growth, and increase employment in the Caribbean region. To ensure that the results of the program are sustainable, Compete Caribbean partnered with the University of the West Indies to establish the Caribbean Centre for Competitiveness (CCFC) at the University's St. Augustine Campus in Trinidad and Tobago. The centre will undertake cutting edge research for policy development on solutions to the region's growth dilemma and offer targeted training courses in techniques to reforming the business climate and improving the productivity of firms. All knowledge products developed under the program will be transferred to the CCFC, expanding the institution's role as a knowledge repository for the region on issues of competitiveness. The business climate reforms are made sustainable by the public-private dialogue that are supported prior and post project development, and the extent to which stakeholder buy-in is achieved in these discussions. All grants to firms require counterpart resources in cash between 20% and 50%. The willingness to contribute these cash resources is an indication that the firms have a financial stake in the project and therefore the project's sustainability is ensured by the extent to which firms can realize financial returns from the project they have identified.

Capacity to replicate and potential for exchange

The Program has some unprecedented features:

- It is the largest multi-donor technical assistance program focused on PSD in the Caribbean;
- It is the largest IDB executed regional program in the Caribbean;
- All projects financed by the program strive to mainstream gender equality and environmental sustainability by including gender and environment expert advice in every project team;
- All teams incorporate an expert on monitoring and evaluation to ensure that the projects contribute to the overall goal of the program, and that their results/impacts are measurable. The Program draws from a wide pool of international experts, building alliances with institutions and universities across the globe.

Compete Caribbean's approach, structure, unique features and alliances make the program replicable in other regions in Latin America.

Human, operational and institutional capacities

The Program was designed by leveraging the expertise of partners in the field to improve development effectiveness. The IDB, DFID and DFATD offices located in Barbados bring together knowledge on private sector development, business climate reforms, cluster development, public-private dialogue, challenge funds, gender mainstreaming and environmental sustainability. Donor partnership facilitates a larger more comprehensive approach. It minimizes transaction costs, provides a single point of entry and simplifies the process of accessing funding. It also strengthens the region's capacity to implement projects that incorporate gender equality and environmental sustainability.

The PCU has 15 persons that are experts in the different aspects of the Program. In addition, with the IDB as the administrator, the program benefits of top class expertise in a multilateral institution.

Modalities to replicate the exchange

Information sharing
Expert visits
Technical tours
Videoconference
Workshops
Peer review

Good practices and concrete lessons

Donor coordination is very important to addressing issues related to competitiveness in developing countries. An un-coordinated donor approach has the tendency to cause duplication in efforts and confuse potential partners.

Experiences and subjects to learn from other RIAC members

Facilitating targeted knowledge exchanges and study tours amongst key stakeholders in RIAC countries would be highly beneficial, particularly as it relates to sharing best practice in Public-Private Dialogue, designing a reform agenda and implementing it in a short time frame.

Key persons involved in the design, implementation, and evaluation

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