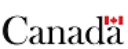


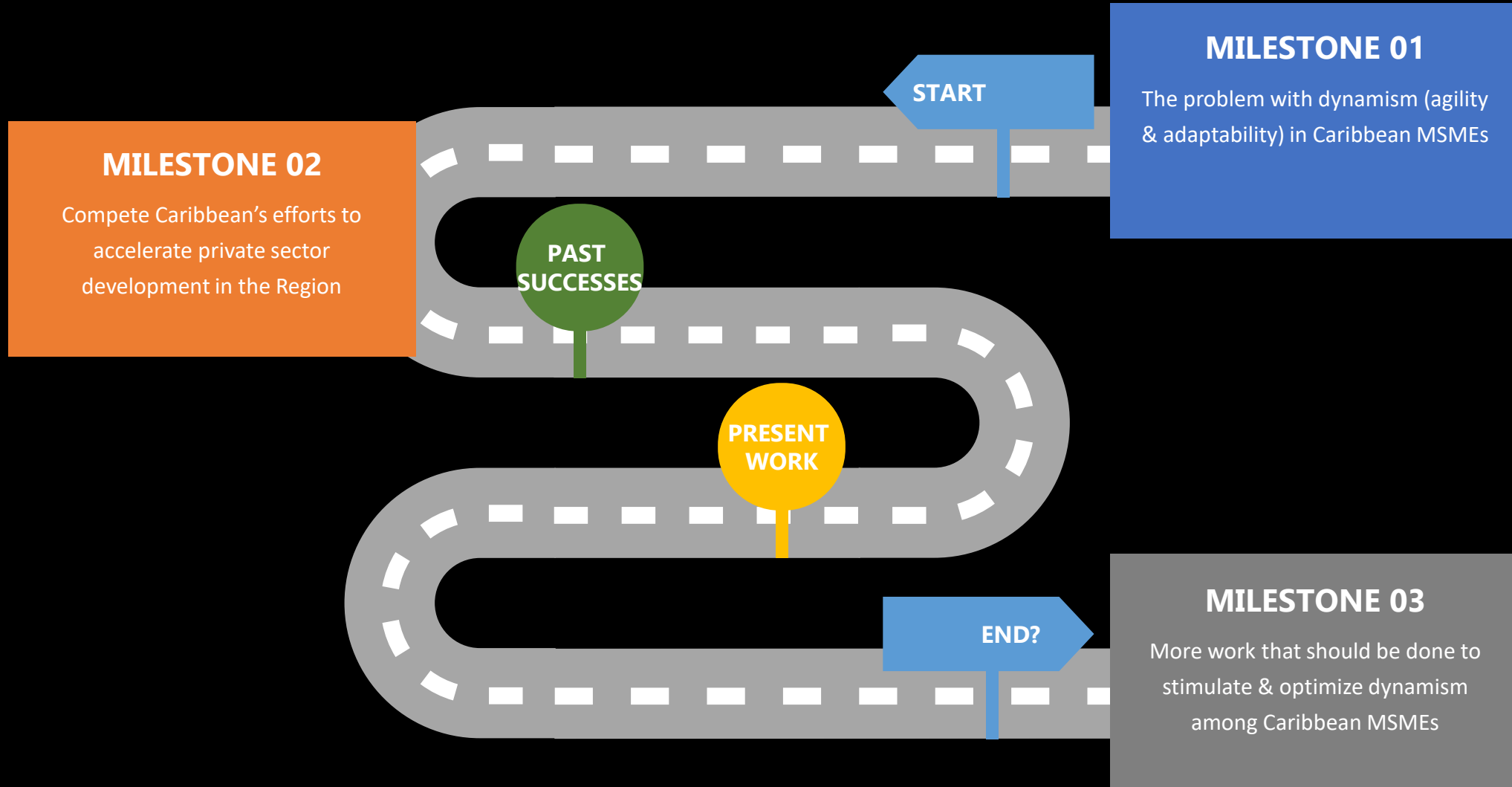
Back to Basics

Maximizing the agility, adaptability
and innovation of MSMEs in the
Greater Caribbean –
Trade Promotion Organizations

Dr Kieron Swift
Project Development Consultant



Where we will be going with this presentation



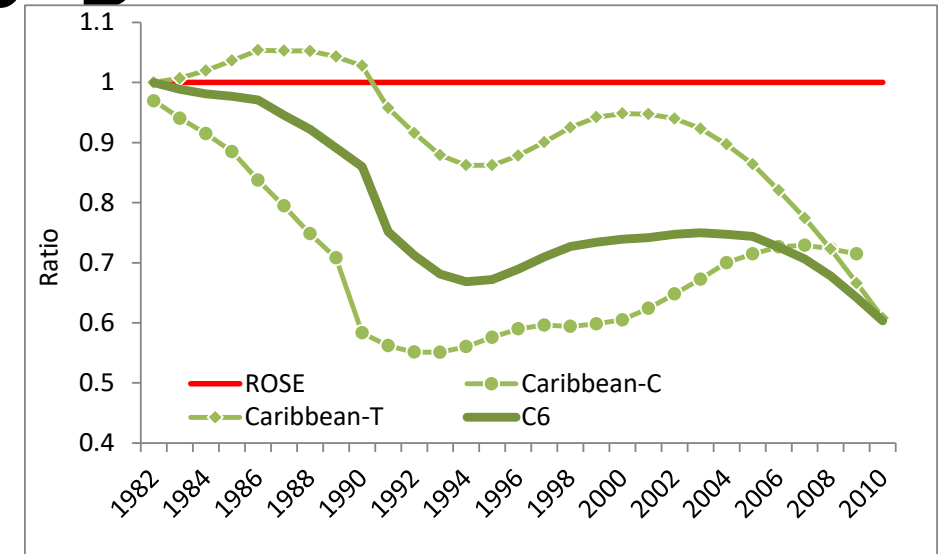
Caribbean MSMEs are
seldom agile and



adaptable

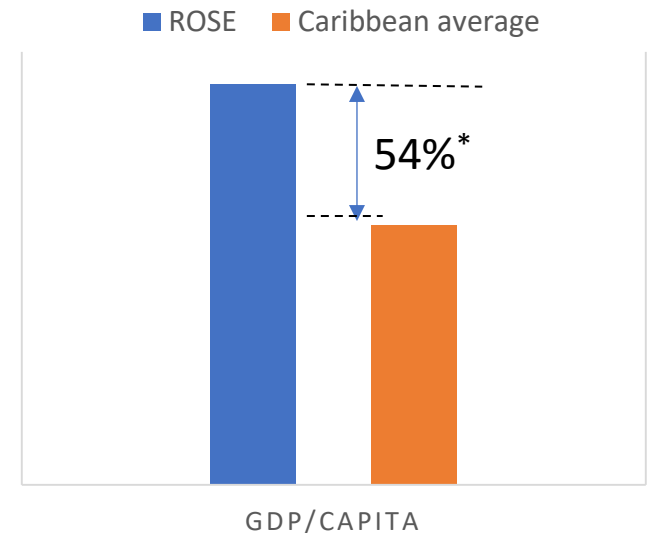
...because their productivity growth has been much slower

- **Productivity** is not growing in the Caribbean as fast as in the rest of small economies
- There is a **complex relationship** between productivity and innovation
- The labor productivity of innovative firms in the Caribbean is 63 % higher than that of non-innovative firms (Grazzi et al., 2016)
- Although investments in innovation make the largest difference in firms being more productive, there are more potentially innovative firms than those that are actually innovative



Potentially innovative firms face many barriers

- Limited access to finance
- Fewer skilled workers & fewer opportunities for on-the-job training to develop skills
- Less managerial experience
- More burdensome government regulations & procedures
- Inadequate competition
- Limited integration into global value chains, hence limited knowledge transfer

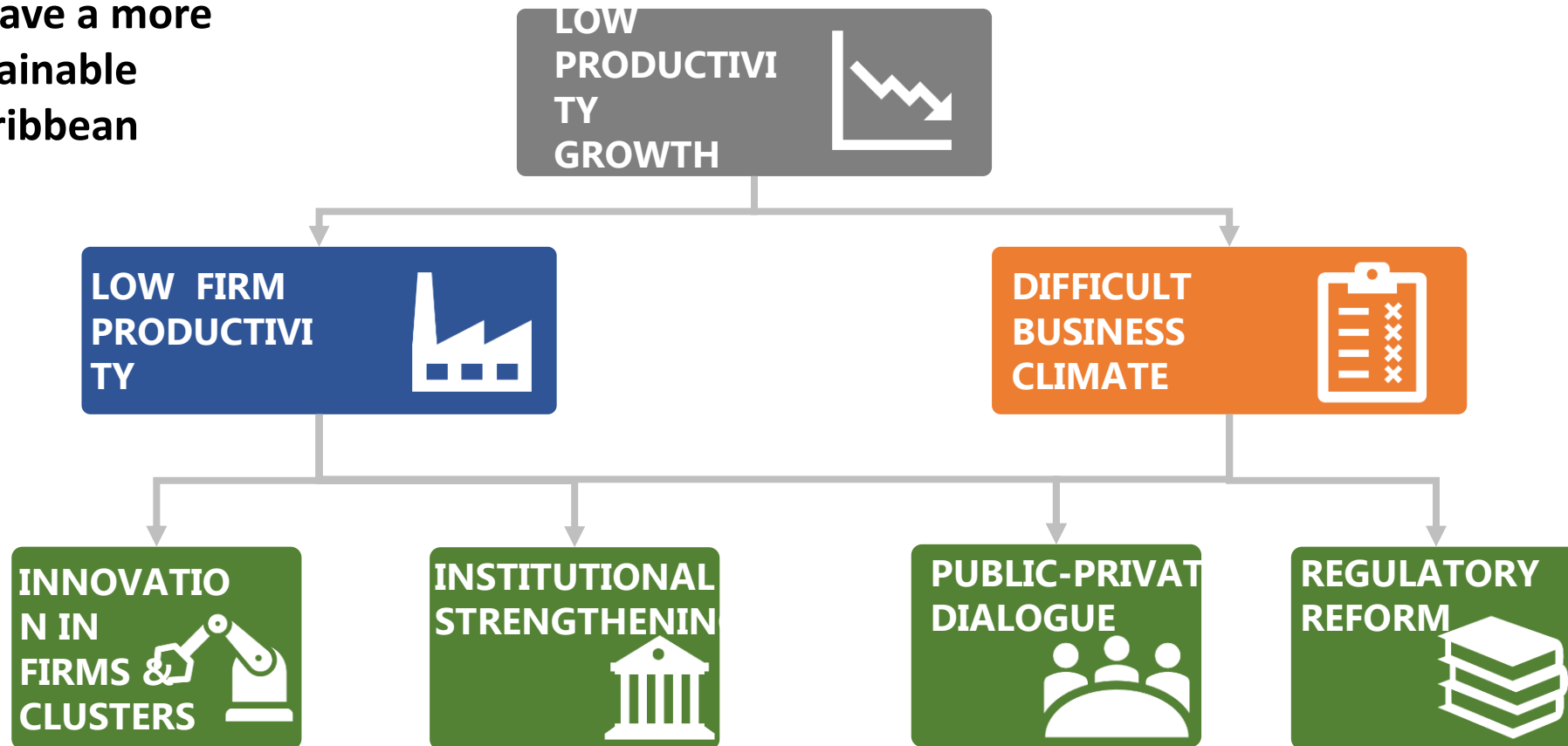


* Gap that could have been closed if Caribbean productivity growth had kept pace with ROSE

Compete Caribbean has been
working to address these problems

Why does Compete Caribbean exist?

Many donors and experts joined forces to have a more catalytic and sustainable impact on the Caribbean private sector



What Compete Achieved in Phase 1 (2010-2017)



Nearly 12,000 new **jobs** created, 80% for women and



youth



USD\$153m (41%) increase in **revenues** of firms and

clusters



USD\$37m (23%) increase in **exports**

Private sector projects introduced **environmental technologies** or adopted **climate change**

Program Statistics

- US\$30.5 million
- **101** projects across **15** countries
- **29%** invested in regional projects
- **96.4%** disbursed



13

National growth agendas

developed through public private dialogue, and implementation supported

20

Institutions in charge of supporting private sector, investment promotion and/or competitiveness strengthened

50

Regulatory and policy reforms to improve business climate formulated and/or implemented

525+

Firms benefited through 14 innovative firms and 9 cluster projects

Generated previously unavailable **data** and **information** for informed decision making (PROTEqIN, LACES, FINGEN)

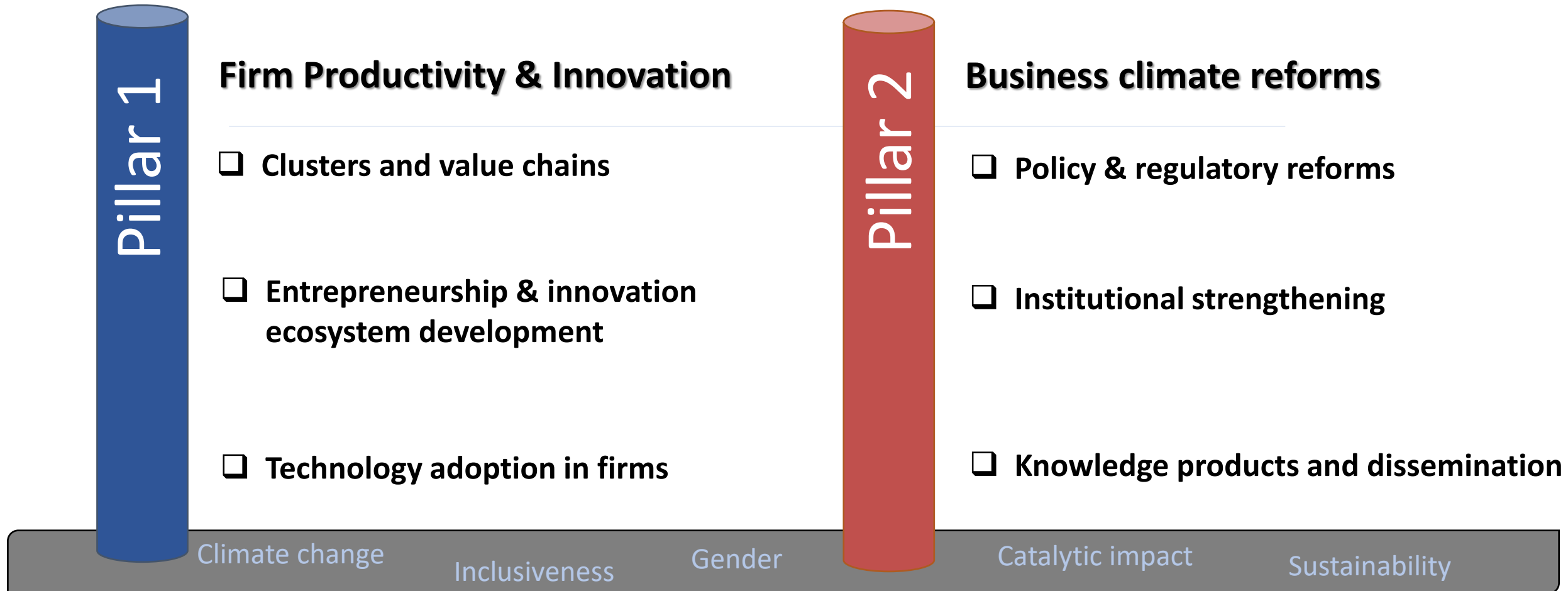
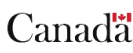
Compete Caribbean Partnership Facility (CCPF) – Phase 2

4 donors, 2 pillars, various instruments



\$27M **private sector development** program over 5 years to

- Increase **jobs**, especially for vulnerable groups
- Increase **revenues** and **exports**, including for women-owned firms



Over the past 10 years, these efforts
have borne fruit...



PURE GRENADA

The Spice of the Caribbean

”



Jennifer Alexis

Ethical Ideas Consulting
Co-Founder “Pure Grenada”

I stood up and told everyone the Compete Caribbean Hotel Sector Economic Recovery Project was completed. I reminded everyone that **in 2013 we had 47% of hotels saying they would close in three years or less** and I said that we obtained a grant from Compete Caribbean and that we ran the project with a mandate to improve a 33% occupancy rate as quickly as possible. Two years later, the Tourism Authority **projected an occupancy rate of 60% for 2015 year-on-year growth for 2014-2015** (the years of the project cycle) and **we grew by 18.6% and 4.6%** respectively.

I told them that WE (the whole team, not just me) had proven that Pure Grenada works, and that Go Pure Grenada remained very important to the bigger picture because that call to action was needed to make sure that Grenada keeps delivering on its product promise.

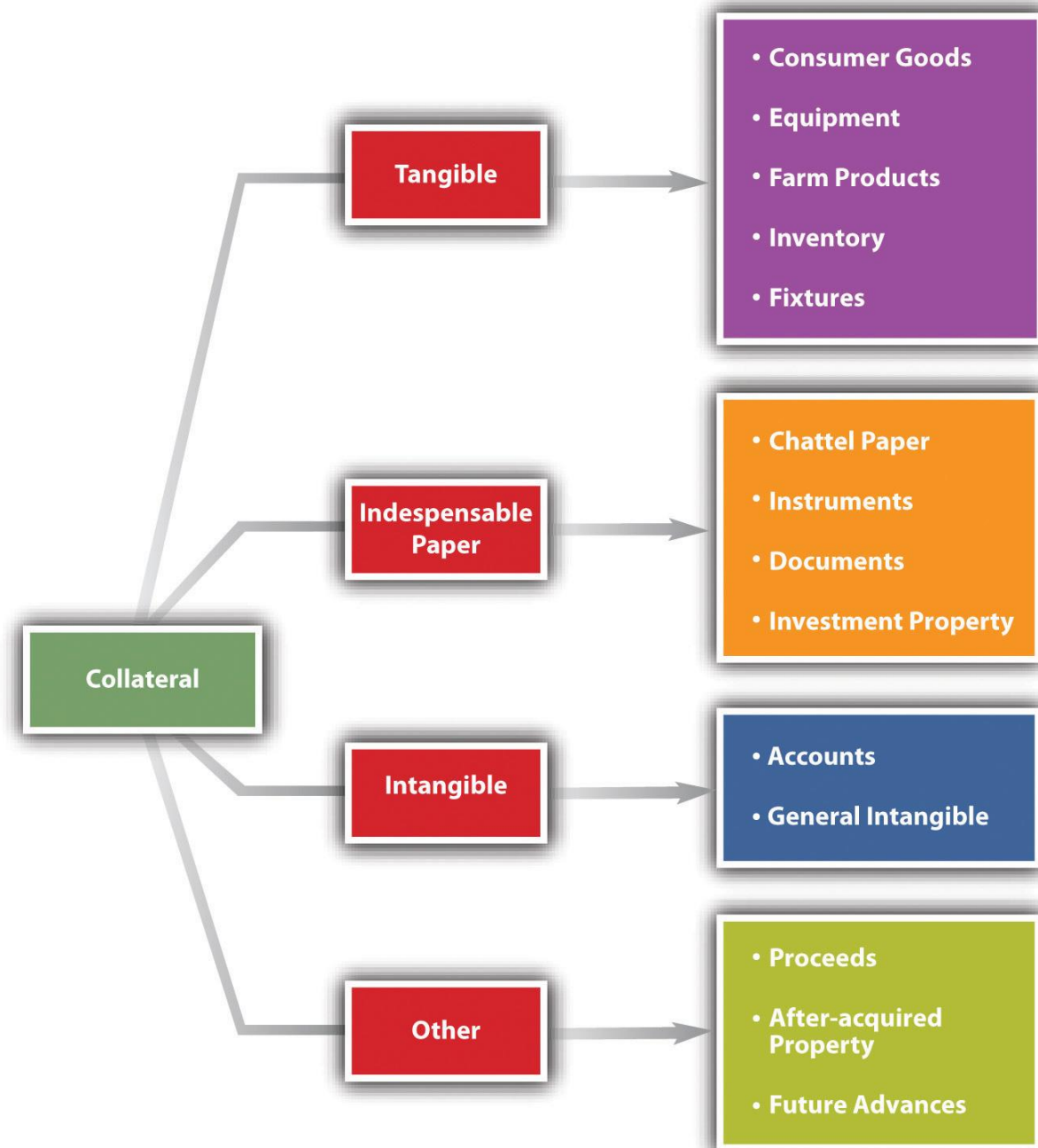
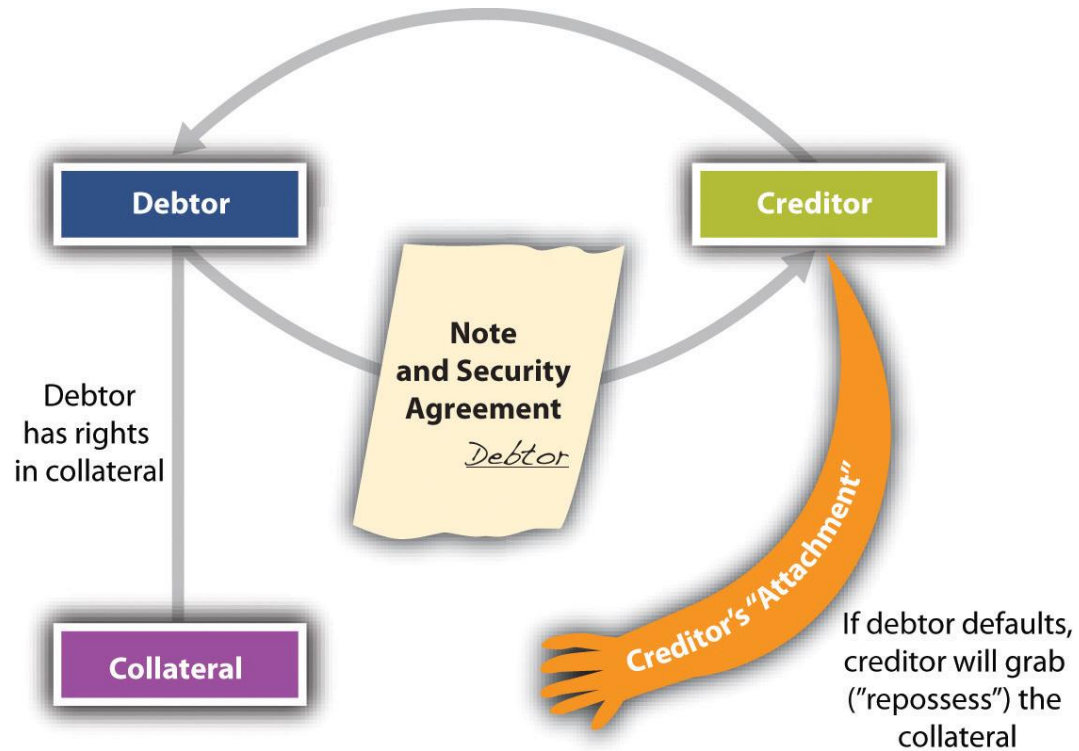
Belize Shrimp Growers' Conquer Premium Markets



“Prior to this project, these specialized niche markets in Europe, the US and Canada **would have been inaccessible**. The fact that queries come from as far as Belgium is also not a surprise to us. We expected that the European market, particularly the UK multiples, would have been the first to seek after our product. Our

assumption was correct.
Alvin Henderson
Royal Mayan Shrimp Farms
Belize Shrimp Growers' Association

Jamaica jumps 27 Places in World Bank DB Rankings (2015)





12 Amerindian Communities

3 Lodges

1 Region

1 Cluster

1 Endangered Fish

Catch and Release Sport Fishing in the North Rupununi, Guyana

The project implemented scientifically based protocols to encourage the proper management and the sustainable development of the Arapaima, to regulate catch and release activities in the Rupununi and to develop protocols which will minimize stress from the activity and increase existing stocks as well as prolong life.

Over the past 10 years, these efforts
have borne fruit...

and some fruit is still ripening!

Technology Extension Services



The Technical Assistance Grants will be used to increase productivity and innovation in the Caribbean Private sector. TES is a type of innovation policy that Governments have successfully used in other countries to accelerate the pace at which SMEs “catch up” with more advanced firms by transferring knowledge about best practices.

- **Increase the productivity growth of SMEs by 75%***
- **In emerging economies, the impact of catching up estimated at 82%***

*Studies conducted by the McKinsey Global Institute indicate that in the case of the G19 countries



Technology Extension Services (TES) in the Caribbean

Business Diagnostic
(Target: 200 firms)

Technical Audit
(Target: 75 firms)

Technical Intervention
(Target: 50 firms)

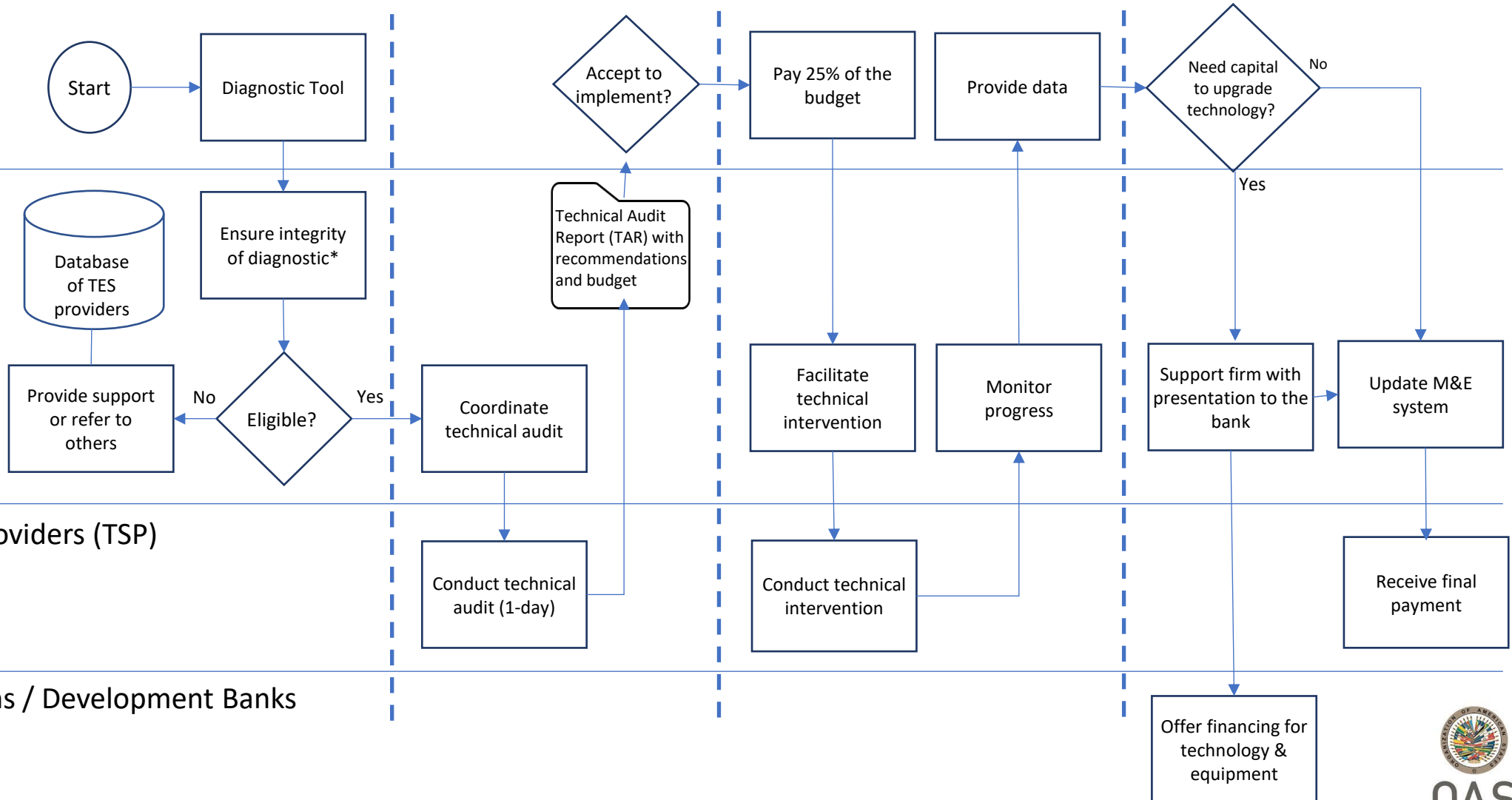
Capital Investment
(Target: 25 firms)

(A) Eligible firms

(B) BSOs / SBDCs

(C) Technical Service Providers (TSP)

(D) Financial institutions / Development Banks



* Caribbean Export will train and certify over 30 business assessors across the region in 2018 within and outside the SBDC network. A site visit by a certified business assessor is required for eligibility.



SAINT LUCIA COMPETITIVENESS AGENDA & ACTION PLAN

FUNDS APPROVED
US\$200,000

COMPLETION DATE
6/12/2021

Objective

- i) Develop a competitiveness agenda for the country
- ii) Strengthen business climate;
- iii) Strengthen key institutions that facilitate competitiveness and innovation; and
- iv) Build capacity within the public sector

Goals

- ▶ NCPC strengthened
 - 60% of plan implemented
- ▶ Innovation Policy Adopted/Approved
- ▶ Gender-responsive Policy and/or Regulatory Reforms approved/ enacted
 - 60% reforms adopted

Partner

National Competitiveness and Productivity Council

Suggested strategic projects

Evidence from literature review and interviews highlighted the short-term need of four key projects to demonstrate the value of innovation in Saint Lucia:

- St Lucia's Knowledge Transfer Network
- Saint Lucia's High-Value Agrifood Technology Centre
- Saint Lucia's Innovation Voucher Programme
- National Innovation System Governance Framework



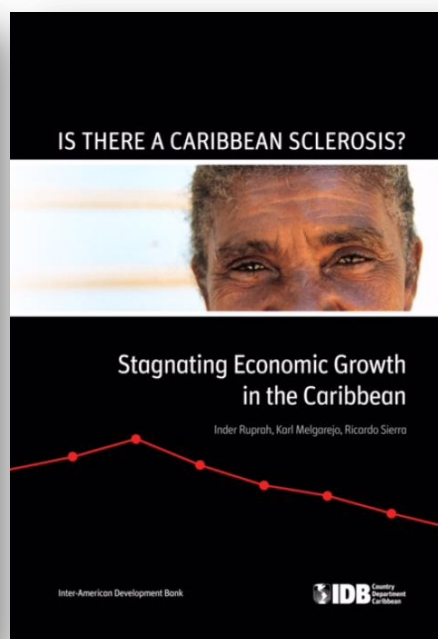
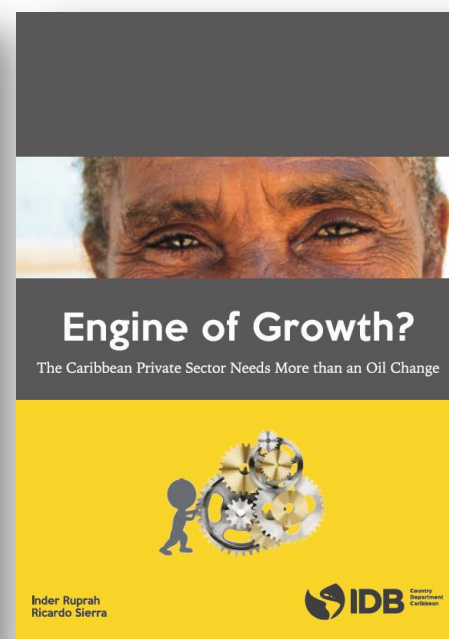
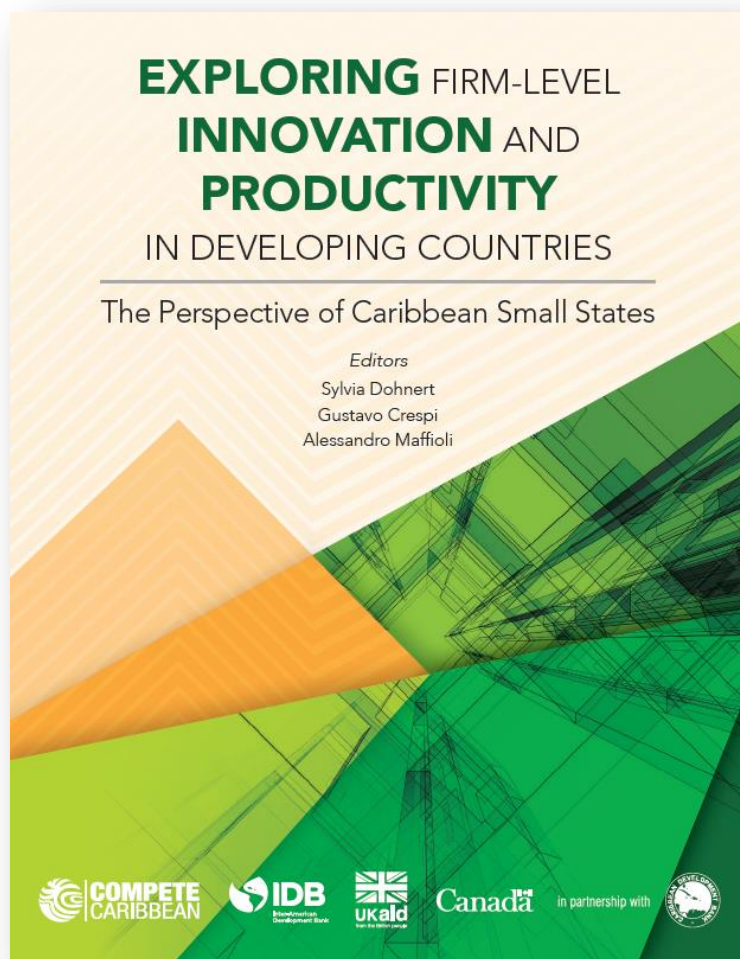
Thematic pillars

Applied research and technology transfer

Innovation in existing firms and creation of new innovative firms

Policy environment for innovation

What can we learn from the
Caribbean MSMEs that *are* agile
and adaptable
(i.e. more innovative)?



Knowledge Sources

Lesson #1

The productivity gap between the most and least productive firms is *wider* in the Caribbean than in advanced economies

- Labour productivity of innovative firms in the Caribbean is 63% higher than that of non-innovative firms (c.f. 50% in Latin America), but the innovation dynamics of a firm are sensitive to the innovation ecosystems in which the firms exist.
- Innovative firms do a series of things well, repeatedly (cumulative causation) in the midst of a supportive environment (mutually reinforcing factors e.g. access to credit markets, FDI, participation in GVCs)

More support needs to be directed to firms nearer the bottom of the productivity totem pole

Lesson #2

The quality of a firm's people matters!

- Managerial experience improves the likelihood of process innovation
- Better human capital contributes to more intense investment in R&D but not necessarily to innovation performance!
- The increase in productivity due to a more educated workforce varies depending on how productive a firm already is
 - Least-productive firms reap 17% increase in productivity from a better workforce
 - Most-productive firms reap up to 77% increase in productivity under similar conditions

Overcoming the well-documented skills gap in the Region should be a top priority

Lesson #3

Although young firms have more dynamic *growth* performance, more mature firms are more productive.

More mature firms:

- Have been in the market longer
- May have been doing more innovation and benefitting more from it
- Use new technologies more intensively
- Have a better trained workforce
- Are less financially constrained
- Have 'learned the ropes' of operating in markets where entries and exits don't occur smoothly, and rent-seeking or monopolistic behaviour exists.

More emphasis should be placed on supporting existing firms (e.g. through TES and Corporate Venturing) than simply focusing almost exclusively on entrepreneurship

Lesson #4

“Access to finance” needs to be unpacked as an obstacle to innovation

- Low-productivity firms typically can't access finance to invest in productivity enhancements
- High-productivity firms can't access finance for more sophisticated, and hence riskier, innovation-related activities that can propel their performance
- Commercial banking has real limitations since it cannot finance risky projects, and truly innovative projects are, by definition, risky.

Each situation requires *different* instruments to bring relief

There's more to be done to
stimulate dynamism among
Caribbean MSMEs

Top 3 things

1. Firms must integrate specialized technologies into their business operations to improve productivity now and defend against obsolescence later



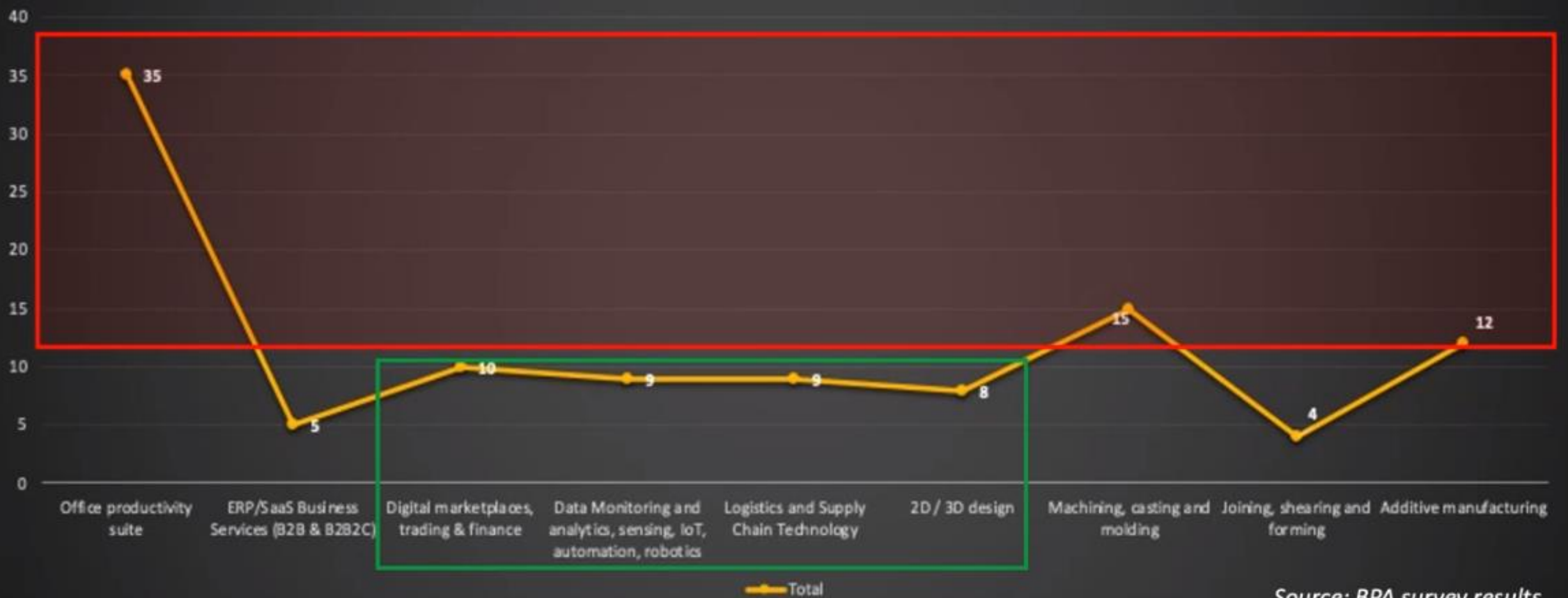
Diffusion of Agro-processing Technologies

Where current efforts are being focused

What should be prioritized

Source: Presentation on “Delivering Technology Extension Services in Small Countries: Challenges and Opportunities” by

Jose Antonio Carrasco, Exec. Dir of the Manufacturing Technology Extension Center at University of Concepcion



Source: BPA survey results

Diffusion of Manufacturing Technologies

Where current efforts are being focused

What should be prioritized

Source: Presentation on "Delivering Technology Extension Services in Small Countries: Challenges and Opportunities" by

Jose Antonio Carrasco, Exec. Dir of the Manufacturing Technology Extension Center at University of Concepcion



Source: BPA survey results

Diffusion of Tourism Technologies

Where current efforts are being focused

What should be prioritized

Source: Presentation on “Delivering Technology Extension Services in Small Countries: Challenges and Opportunities”
by

Jose Antonio Carrasco, Exec. Dir of the Manufacturing Technology Extension Center at University of Concepcion

Top 3 things

1. Firms must integrate specialized technologies into their business operations to improve productivity now and defend against obsolescence later
2. Governments must not let up on public investment into innovation ecosystems

Boosting Innovation, Growth and Entrepreneurship Ecosystems in Jamaica US\$50m 2019 - 2029

Focused on opportunity-oriented entrepreneurs and firms

Has instruments for the 3 stages of the lifecycle:

- **Entrepreneurs** – seed capital, prototype capital, incubation, technology transfer services
- **Start-ups**: acceleration, crowding in of angel investment, crowding in of venture capital financing
- **Existing firms**: innovation grants, cluster competitiveness improvement grants, technology extension services, technology foresighting

Suggested strategic projects

Evidence from literature review and interviews highlighted the short-term need of four key projects to demonstrate the value of innovation in Saint Lucia:

➤ St Lucia's Knowledge Transfer Network

➤ Saint Lucia's High-Value Agrifood Technology Centre

➤ Saint Lucia's Innovation Voucher Programme

➤ National Innovation System Governance Framework



Instruments that require public funding

Top 3 things

1. Integration of specialized technologies into business operations to improve productivity now and defend against obsolescence later
2. Governments must not let up on public investment into innovation ecosystems
3. Governments & intermediaries must foster a supportive business climate through policy reforms and institutional capability strengthening

**Inclusive and sustainable economic growth
through global competitiveness**



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