

TC ABSTRACT

I. Basic Project Data

▪ Country/Region:	BARBADOS/CCB - Caribbean Group
▪ TC Name:	Enhancing national investment in Research and Development (R&D) for Barbados
▪ TC Number:	BA-T1116
▪ Team Leader/Members:	DOHNERT DE LASCURAIN, SYLVIA EVA (IFD/CTI) Team Leader; STEVENSON, CLAUDIA (IFD/CTI) Alternate Team Leader; GALEANO BUITRAGO MARIA ALEJANDRA (IFD/CTI); JAINAUTH-UMRAO, NAVEEN (VPC/FMP); BONILLA MERINO ARTURO FRANCISCO (LEG/SGO); PELAEZ RESTREPO, JOHANNA (VPC/FMP); GRAZZI, MATTEO (IFD/CTI)
▪ Taxonomy:	Client Support
▪ Number and name of operation supported by the TC:	N/A
▪ Date of TC Abstract:	05 Jul 2024
▪ Beneficiary:	Barbados
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK
▪ IDB funding requested:	US\$150,000.00
▪ Local counterpart funding:	US\$0.00
▪ Disbursement period:	24 months
▪ Types of consultants:	Individuals; Firms
▪ Prepared by Unit:	IFD/CTI - Competitiveness, Technology and Innovation Division
▪ Unit of Disbursement Responsibility:	IFD/CTI - Competitiveness, Technology and Innovation Division
▪ TC included in Country Strategy (y/n):	Yes
▪ TC included in CPD (y/n):	Yes
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Productivity and innovation ; Institutional capacity and rule of law

II. Objective and Justification

2.1 The general objective of this Technical Cooperation (TC) is to support the Government of Barbados' key objective of industrial and economic diversification by developing a national strategy around nation-wide investment in Research and Development (R&D). The specific objective is to support the Barbados' Government to produce a policy roadmap to increase investment in R&D that will support higher levels of national economic growth.

2.2 Barbados has a unique opportunity to stimulate its economic growth by investing in R&D. While similar-sized countries like Iceland and Malta have increased their GDPs several-fold since 2000, due, in large part to specific research and development initiatives, Barbados has had tepid growth over the same period. The Government of Barbados has already put in place some initiatives to activate the island's capacity for R&D:

In 2021, it launched the FutureBarbados program to: (i) Build the capacity of the local ecosystem to absorb innovation and enhance technological output; (ii) Create a space for experimentation including running incubators and accelerators and activating regulatory spaces for risk management in experimentation; and (iii) Create funding mechanisms for the sustainable development of the R&D ecosystem.

- 2.3 The IDB is providing technical assistance to FutureBarbados to develop a Policy Framework and Road Map to develop an Innovation Sandbox and financing regime. Complementarily, the IDB is providing technical assistance to Export Barbados to develop a Life Sciences pipeline of products and services for export. Barbados' top ten domestic exports between 2018 and 2022 included life sciences industry products such as medicaments (US\$43.9 million) and artificial body parts (US\$33.7 million). The IDBLab will also be supporting the Government of Barbados with a healthtech hub.
- 2.4 More recently, Barbados has implemented significant reforms to its corporate tax regime through the enactment of the Income Tax (Amendment and Validation) Act, 2024-15 and a new stand-alone Corporation Top-Up Tax Act, 2024-16, which will make R&D credits available. Additionally, Barbados has introduced a new patent box regime whereby income derived from qualifying Intellectual Property (including software copyright, patents and other similar protected rights) will receive a favorable tax rate.
- 2.5 Investment in intangible assets, such as R&D, software, and intellectual property, has outpaced tangible investments globally since 2008. These assets are critical for enhancing competitive advantage and driving innovation. To diversify its economy to higher value-added sectors and enhance its economic output, Barbados would benefit from a robust R&D strategy that can facilitate deep investment and growth of its knowledge economy. This would help diversify the economy beyond tourism and other traditional sectors, fostering innovation and new industries that could drive substantial economic gains.
- 2.6 This TC is consistent with the IDB Group Institutional Strategy: Transforming for Scale and Impact (GN-3159-12), specifically its objective of Bolstering Sustainable Growth, by advancing a framework to encourage the investment in knowledge and innovation (intangibles) which will drive productivity and innovation in Barbados. The TC is also aligned with the priority areas of Effective, Efficient and Transparent Institutions of the Ordinary Capital Strategic Development Program (GN-2814-14) by strengthening institutional and policy quality as well as service delivery and policy implementation to promote private sector development. The TC is aligned to the Barbados Country Strategy 2019-2023 (GN-2953-1) (extended until May 31st, 2025, through GN-2953-3) priority area of promoting higher productivity, and the government priority area of rebuilding the economy and financing national transformation.

III. Description of Activities and Outputs

- 3.1 **Component I: Develop a diagnostics and road map for national investment in R&D (US\$140,000).** Will: (i) produce a measurement of the country's R&D investment, and identify bottlenecks; (ii) design a roadmap to increase nation-wide investment in R&D over the next 5 years, indicating policies and action plans, institutional mechanisms, financing vehicles and targets, and a strategy for execution; and (iii) design a monitoring framework. At least two validation workshops will be carried out.
- 3.2 **Component II: Communication and dissemination (US\$10,000).** The project will develop and implement a strategy to socialize the diagnostic, roadmap and monitoring mechanisms amongst policymakers, private sector stakeholders, academic institutions and civil society. It will finance one event in Barbados to showcase the results of Component 1, as well as the development of other communication tools.

IV. Budget

Indicative Budget

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
Develop a diagnostics	US\$140,000.00	US\$0.00	US\$140,000.00

and road map for national investment in R&D (US\$140,000)			
Communication and dissemination (US\$10,000)	US\$10,000.00	US\$0.00	US\$10,000.00
Total	US\$150,000.00	US\$0.00	US\$150,000.00

V. Executing Agency and Execution Structure

- 5.1 In response to the request of the client, the execution of this TC will be carried out by the Competitiveness, Technology and Innovation Division (IFD/CTI) of the IDB. The execution and disbursement period will be 24 months and the Unit of Disbursement Responsibility (UDR) will be CCB/CBA.
- 5.2 IDB Procurement Policies and Procedures will apply for the procurement of goods, works, consulting services and services other than consulting services, financed with resources of the IDB. The activities to be executed will be contracted in accordance with Bank policies as follows: (a) AM-650 for Individual consultants; (b) GN-2303-33 and its associated Guidelines for the contracting of all relevant services.

VI. Project Risks and Issues

- 6.1 Identification of appropriate consultants for the very specific area of expertise required is a risk for this project. The project team will work together with the government counterparts to identify a suitable pool of consultants.
- 6.2 There is a risk of lack of interest of the target end-beneficiaries (private sector) in the outputs of this technical cooperation. This risk will be mitigated by ample consultation with Barbadian businesses that are leading their respective sectors in terms of innovation.

VII. Environmental and Social Aspects

- 7.1 This TC does not have applicable requirements of the Bank's Environmental and Social Policy Framework (ESPF).