

TC Abstract

I. BASIC INFORMATION FOR TC

Country/Region:	BARBADOS
TC Name:	Barbados Business Facilitation
TC Number:	BA-T1050
Team Leader/Members:	Carlos Guaipatin (IFD/CTI), team leader; Mario Umaña (INT/TIN), Marieke Goetsch (IFD/CTI) Adriana Oreamuno (IFD/CTI); Leanne Cumberbatch (CCB/CBA); Russel Franklyn (FMP/CBA); Mario Vinicio Rodriguez (FMP/CBA); Maria Camila Padilla (FMP/CBA); Guilherme C. Piereck (INT/TIN); Krista Lucenti (INT/TIN)
Taxonomy:	Client Support
Date of TC Abstract authorization:	XXXXXXXXXXXX
Beneficiary (countries or entities which are the recipient of the technical assistance):	Barbados
Executing Agency:	Inter-American Development Bank (IDB), through Competitiveness and Innovation Division (IFD/CTI)
Donors providing funding:	XXXX
IDB Funding Requested:	US\$170,000
Local counterpart funding, if any:	No
Disbursement period (which includes Execution period):	30 months
Required start date:	XXXXXXXXXXXX
Types of consultants:	Firms and individual consultants
Prepared by Unit:	IFD/CTI
Unit of Disbursement Responsibility:	IFD/CTI
TC Included in Country Strategy (y/n):	Yes
TC included in CPD (y/n):	Yes
UIS Sector Priority:	Yes

II. OBJECTIVES AND JUSTIFICATION OF THE TC

2.1 In 2009, the Bank partnered with the Government of Barbados (GoB) with the objective to increase the competitiveness of Barbados through a series of initiatives. For this purpose, on March 21, 2010, both parties entered into loan contract No. 2278/OC-BA, for the execution of the Barbados Competitiveness Program (BCP). The instrument used was an investment loan consisting mainly of technical assistance activities, but also including an investment sub-component in the trade logistics (Electronic Single Window) area.

2.2 The original Program objectives were to: (i) rationalize the incentive system and regulations to ensure a coherent framework to support business development; (ii) rationalize the institutional architecture of business development services (BDS) and introduce a framework for clustering initiatives; (iii) improve logistics and trade facilitation, lowering the cost of the movement of goods and people, and enhance access to infrastructure through Private Public Partnerships (PPPs), among other modalities; and (iv) strengthen public-private dialogue (PPD) to develop and implement a medium-term competitiveness strategy.

- 2.3 During the execution, the involved agencies faced a number of challenges which led to delays in the implementation of activities related to, among others, the complexity of program design, staffing issues (specifically with hiring the required personnel as well as capacity issues) within the Program Coordination Unit (PCU) as well as lengthy government procurement processes. This, together with a shift in government priorities, lead to a restructuring of the original project, namely the cancellation of the remaining activities under Component 2 aimed at strengthening productive sectors through firm-level intervention. The resources allocated under this component amounted to little more than ten percent of the total financing amount and, given its very delimited nature, the cancellation of the activities had only a very limited impact on the overall program objective.
- 2.4 Despite these challenges, the Program has led to a number of important results such as the finalization of the conceptual design for the Cargo Examination Facility (CEF), the development of a Computable General Equilibrium (CGE) model, the development of a National Competitiveness Strategy (NCS) and Action Plan and the design of the institutional structure for the Commission on Competitiveness. In addition, the Borrower has also developed a new institutional framework for public-private dialogue that has been key in building consensus and maintaining momentum around critical reforms and policy actions.
- 2.5 The purpose of the TC is to continue the Bank's support to improve productivity and innovation of the private sector in view of the new progress made to date and help the country tackle some of the remaining challenges it is facing in the area of business facilitation. Since efforts to increase the capabilities of the private sector must be constant and adapt to the dynamism of the global economy based on knowledge, it is important for the Bank to continue supporting the country on these issues so that the impact of the progress made is not diluted. Furthermore, the activities and knowledge generated under this TC will provide a very valuable basis for a potential new loan.

III. DESCRIPTION OF ACTIVITIES

- 3.1 **Component 1: Fostering the dialogue with the public and private sector.** Building trade capacity is not just about making sure that the necessary physical infrastructure is in place, but it is also about the institutional environment within which the private and public sectors operate, and the relationship between the two. Issues such as cumbersome regulatory arrangements, lack of access to capital, and a disjointed private sector can all drastically inhibit a country's ability to grow – and trade. Therefore, this TC will promote public-private dialogue (PPD) so that an organized, engaged private sector can work with the local, state, and national governments to improve the business climate, promote transparency, and create new jobs.
- 3.2 **Component 2: Dissemination of new tools generated by the loan.** As mentioned above the operation BA-L1007 has financed the successful development of a number of tools that are crucial for fostering a favorable business climate in Barbados. The objective

of this TC is to support the GoB and relevant stakeholders in integrating these new tools into their business processes. This component will include capacity building activities, but also dissemination strategies to promote these new instruments and highlight their added value. In some cases, such as the CEF that currently only exists in design, the TC will help foster dialogue between key stakeholders to ensure a timely and sustainable development of the physical infrastructure of the CEF. In the case of the CGE model, the TC would support the macro-fiscal policy unit in deciding on the way forward and in evaluating different options for a successful implementation of the model, based on their capacities and needs.

3.3 Component 3: Updating of diagnostics on the challenges of competitiveness and productivity. Despite much effort to use trade policy to catalyze exports (including services), many countries have failed to achieve successful, sustainable economic growth and increased productivity. The same applies to Barbados where importers and exporters face a broad and diverse set of constraints that limit their potential to fully benefit from international markets and where market failures hamper productivity growth. A number of diagnostics on the challenges of competitiveness and productivity in the country exist, but some studies require updating and the incorporation of new knowledge and data. This TC would finance a review of existing diagnostics to identify and work on areas that require further analysis or updating. This Component may also analyze the service export strategies and propose new routes for its expansion.

3.4 Component 4: Strengthening the functionality and sustainability of the Electronic Single Window (ESW). The initial implementation of the ESW requires additional work to complete the connectivity with the Customs' Automated System, assuming the implementation of the Customs System is finalized. The following activities would be carried out under this TC: (i) development of further interfaces between the two systems and additional LPCO printouts (license, permits, certificates, other) as required; (ii) implementation of the new version of the Harmonized System; (iii) development of and agreement on the design elements of the next phase of the ESW, including recommendations for the implementation of a governance structure for the ESW; and (iv) capacity building activities for the Barbados Revenue Authority (BRA) as the agency responsible for the maintenance and ownership of the ESW. By supporting the development of additional features and interlinkages of the ESW the TC will positively impact the category "Trading Across Borders" of the Doing Business Report.

IV. INDICATIVE BUDGET

Activity/ Component	Description	IDB Funding
Component 1	Fostering the dialogue with the public and private sector	20,000
Component 2	Dissemination of new tools generated by the loan	20,000
Component 3	Updating of diagnostics on the challenges of competitiveness and productivity	50,000

Component 4	Strengthening the functionality and sustainability of the Electronic Single Window (ESW)	80,000
Total		170,000

IV. EXECUTING AGENCY

- 4.1 The executing agency of this technical cooperation will be the Inter-American Development Bank through the Competitiveness and Innovation Division (IFD/CTI) with cross-support from the Trade and Investment Division of the Integration and Trade Sector (INT/TIN). This arrangement will ensure continuity with the previous project (BA-L1007) since the team members on the IDB side will be the same, and it will allow for lessons learned to be directly reflected in the design and execution of this TC. Among others, this aims at completing the tasks at hand in a cost-efficient manner and ensuring quality of the outputs. This approach will also benefit from utilizing the Bank's ability to execute technical cooperation and contributing with time of the project team and their knowledge to identify highly qualified international consultants based on their work experience in operations in different countries of the region. To ensure the efficient and timely completion of the technical cooperation the CTI division will review the progress in a well-timed manner.
- 4.2 This TC was already discussed with the GoB at the Portfolio review exercise in November 2016 and all parties agreed to have this collaboration. At the same time, all parties coincided with the convenience of bank-execution of this TC.

V. MAJOR ISSUES

- 5.1 There is a risk of limited private sector interest in this type of initiative. This risk will be mitigated by reaching out to private sector representatives and highlighting that their inputs are not only key to the demand-driven design of the operation, but that this is also a valuable opportunity for the private sector to highlight its demands and needs to the public sector. Having the IDB participate in the process as an “honest broker” should help facilitate the dialogue and mediate between both sides, but also between the differing public sector interests.

VI. EXCEPTIONS TO BANK POLICY

- 6.1 There are not exceptions to Bank policies in order to execute this TC.

VII. ENVIRONMENTAL AND SOCIAL STRATEGY

- 7.1 Given the nature of the program, there are no associated environmental or social risks. Based on the Environment and Safeguards Compliance Policy (OP-703) this operation is classified as “C.”