

Technical Cooperation (TC) Abstract

I. BASIC INFORMATION FOR TC

Country/Region:	Trinidad and Tobago/CCB
TC Name:	Strategic Roadmap for Productive Development Policy in Trinidad and Tobago
TC Number:	TT-T1054
Team Leader/Members:	Juan Carlos Navarro (IFD/CTI), Team Leader; Claudia Stevenson (IFD/CTI); Kayla Grant (IFD/CTI); Tara Lisa Persaud (IFD/CTI); and Blanca Torrico (IFD/CTI)
Taxonomy:	Operational Support
If Operational Support TC, give number and name of Operation Supported by the TC:	Support for the National Competitiveness and Innovation Agenda (TT-L1043)
Reference to Request:	IDBdocs#39381235
Date of TC Abstract:	March 9 th , 2015
Beneficiary	Republic of Trinidad and Tobago
Executing Agency and contact name:	Inter-American Development Bank; Competitiveness and Innovation Division (IFD/CTI)
IDB Funding Requested:	US\$400,000
Local counterpart funding, if any:	US\$0,00
Disbursement period (which includes Execution period):	12 months
Required start date:	May 15, 2015
Types of consultants :	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
GCI-9 Sector Priority:	Support for Small and Medium Enterprises

II. DESCRIPTION OF THE ASSOCIATED LOAN

- 2.1 The Government of Trinidad and Tobago (GORTT) has requested a lending program (Support for the National Competitiveness and Innovation Agenda (TT-L1043)) from the Bank in order to enhance the competitiveness of non-hydrocarbon sectors of the TT's economy through investments in innovation. Specific objectives are: (i) to achieve a higher level of investments in innovation in a number of both established and emerging firms; (ii) to steer R&D outputs towards a better alignment with TT's developmental goals; (iii) to achieve better coordination among private, public and academic elements of the innovation system;; and (iv) to enhance public sector capacities to carry out innovation policy at a level consistent with the development challenges facing TT.

III. OBJECTIVES AND JUSTIFICATION OF THE TC

- 3.1 GORTT has undertaken over the past few years a series of policies and programs aimed at enhancing the overall competitiveness standing of the economy and, in particular, to encourage firms to be more innovative. The lending program (TT-L1043) is intended to strengthen the design and implementation capacity required to maximize the pertinence and impact of such initiatives, as well as to launch complementary investments that fill missing links in the set of policy tools already in place.

- 3.2 The objective of this Technical Cooperation (TC) is to support the analytical and consulting work and the policy dialogue activities needed to feed into the preparation and detailed design of the lending operation in order to maximize its impact over the medium and long term. In addition, the TC will prepare the terrain for a timely and effective implementation by strengthening the capacity of the GORTT (particularly the Ministry of Planning and Sustainable Development (MPLSD) and entities directly under its range of competencies such as the Economic Development Board (EDB), the Council for Competitiveness and Innovation (CCI) and their Executive Secretariat) to be ready to execute the main activities supported by the project in a timely manner, as well as by putting in place systems and resources towards the objective of creating strategies for the development of three priority industry clusters (services for oil and gas industry, the creative industries, and a third industry cluster to be selected at a later stage).
- 3.3 The disproportionate reliance on the oil and gas industry to spur economic growth poses risks to the sustainability of the TT economy. As a consequence the GORTT has intensified its diversification efforts with a particular goal of growing knowledge and innovation-related industries. These efforts are intended to better position the country to hedge against global economic downturns and temporary or extended declines in export commodity prices. The oil and gas industries of TT contribute approximately 40% of gross domestic product and 80% of exports, but only 3.1% of employment. Given the dominance of the oil and gas industries in TT's economy and the relative weakness of other sectors, the government has recognized the need to re-orient both its economic policies and its educational institutions toward growth in knowledge-related industries. As a part of such diversification efforts, this TC will support the loan operation by contributing to the project's technical design, to the readiness of the government to execute the program in a timely manner and crucially, to develop a mid-term policy roadmap that will contribute to the sustainability and impact of the lending program and, beyond it, to permanent enhancements in policy making capacity.
- 3.4 **Strategic alignment.** This TC is aligned with the 2011–2015 Country Strategy for TT (GN-2638), as it aims to support the government in transitioning the economy into a post-hydrocarbon model through diversification. Private sector development is an area of dialogue in the strategy.¹ Given the TC's nature as operational support for the TT-L1043, this TC will contribute to the lending program priorities of the GCI-9 (AB-2764): (i) lending to small and vulnerable countries; (ii) lending for poverty reduction and equity enhancement; and (iii) lending to support regional cooperation and integration. The program is also aligned with the priorities defined in the Innovation, Science and Technology Sector Framework Document (GN-2791-3).

IV. DESCRIPTION OF ACTIVITIES, COMPONENTS AND BUDGET

- 4.1 The TC project will have three components, focused, respectively, on policy instrument design, training and capacity building and policy dialogue. Activities planned for the three

¹ The Country Strategy endorses the view of the priority of fostering the development of non-traditional economic sectors and states the need to focus in the areas of (i) improving policies and institutions to promote entrepreneurship and investment in non-energy sectors; (ii) improving the enabling environment for business development; and (iii) strengthening public-private dialogue on issues of competitiveness, innovation, diversification and growth, all three are addressed by this operation.

components will be instrumental in completing an adequate and evidence based preparation of the lending program. They will also build on previous work done by the Bank in the productive development and innovation policy areas, particularly the results of Compete Caribbean project TT-CC2009² and the data gathered by the Innovation Survey of Trinidad and Tobago in 2014, and the comprehensive innovation policy review carried out the same year.³

- 4.2 Component I provides technical input for designing innovation policy instruments; it will feed into the design of the lending program and is expected to be completed within three months once execution starts. Component II builds capacity through basic targeted training activities on innovation policy management, monitoring and evaluation, up to the level needed to support a timely start of the execution of the lending program. Component III supports public-private policy dialogue aimed at better informing policy decisions and strengthening institutional commitment to innovation policies in selected sectors of the economy. Components II and III are anticipated to be ongoing during the full period of execution of the TC.
- 4.3 **Component I. Policy Instrument Design and Medium-term Institutional Roadmap (US\$220,000).** This component will finance studies and consulting activities deemed essential for the adequate preparation of the lending program in the context of strengthening the evidence base as well as the institutional architecture of innovation policy making. More specifically, the following activities will be undertaken: (i) in depth analysis of the innovation survey of TT; (ii) identification of the actions required to accelerate the diversification and expansion of the economy; (iii) consultancy to design innovation policy instruments for the GORTT; (iv) consultancy to design entrepreneurship policy instruments for the GORTT; (v) identification and examination of the global value chains related to the key sectors/cluster of TT's economy and developing a strategy for upgrading and internationalization; (vi) consultancy on a medium term roadmap to guide institutional reform of the innovation system of TT; and (vii) consultancy to conceptualize a design for a technology transfer office that will operate within the university systems, will aim to create industry linkages, and will execute strategies for commercialization of intellectual assets.
- 4.4 **Component II. Training, Evaluation and Sensitization (US\$60,000).** This component will finance activities intended to strengthen the implementation and monitoring capabilities of public entities of the GORTT –particularly the MPLSD and the Executive Secretariat of

² The TT-CC2009 project laid the groundwork for actions to be followed up by this TC and the concomitant loan operation both in terms of institutional development and in terms of policy and sector work. It supported the development of the Executive Secretariat to the Economic Development Board and the Council for Competitiveness and Innovation, key elements of the incipient institutional architecture of innovation policy in TT. It also financed key studies that led to the request for further Bank support for competitiveness and innovation in the country, as described in the next footnote.

³ The references mentioned in this paragraph correspond to: Arthur Lok Jack Graduate School of Business (2014) *Assessment of the Innovation System of Trinidad and Tobago*. This study discusses the main findings of the innovation survey carried out by the MPSD in 2014. It finds weak innovation performance in the TT business sector. It is focused on firms in the seven priority clusters defined by the GORTT. Supported by Compete Caribbean TT-CC2009. And: Jean Guinet. *Assessment of the National Innovation Ecosystem of Trinidad and Tobago*. This report contains a state of the art assessment of the innovation system of Trinidad and Tobago, carried out using OECD's standard methodology for this kind of analysis. Supported by Compete Caribbean TT-CC2009.

the EDB- that will play a role in the execution of the lending program. The activities are: (i) a consultancy that will carry out the design of a system of indicators that would allow a proper monitoring and evaluation of the main components of the innovation system in TT, with particular reference to the measurement of private sector investment on innovation, intangibles, outputs of the creative industries and other areas traditionally overlooked by conventional indicators of scientific and technological activities and policy; (ii) training activities on innovation policy (one week for 30 participants; (iii) training activities on impact evaluation of innovation policy instruments (3 day course, 20 participants); one study and two courses will result from these activities, which are expected to contribute substantially to the readiness of the eventual project implementation unit; and (iv) to develop a stakeholder sensitization and dissemination strategy that will facilitate a timely and adequate response of the private sector and civil society in general to the launching of innovation policy activities sponsored by the program.

- 4.5 **Component III. Strategic private-public dialogue (US\$115,000).** Building on the Ministry of Planning and Sustainable Development's creation of the Economic Development Board (EDB) and the Council for Competitiveness and Innovation (CCI), the TC will support activities aimed at strengthening capacity for structured private-public dialogue, informed by technical support and expert, world-class facilitation. Building such capacity is seen as a primary tool to achieve the overarching goal of an effective innovation policy in TT. This component will focus on supporting specialized consultancies dedicated to assist the EDB and the CCI in facilitating three meaningfully structured policy dialogues (one for each for the three priority industry clusters) that will lead to decisive action plans, will galvanize resource mobilization by evoking prioritization from key figures, and will ensure consensus building and clear accountabilities objectives are achieved. The policy dialogue will produce action plans detailing the decisive steps that will maximize the sustainability of the positive impacts produced by the lending program and the overall productive development policy over the medium term.

Table IV. 1. Indicative Results Matrix

Activity/Component	Indicator	Baseline	Target
Component I: Policy Instrument Design and Medium-term Institutional Roadmap			
Detailed technical reports that will directly influence key decisions in the process of designing the lending program.	Number of reports produced	0	7
Effective program design developed and the documents required for the proposal prepared in a timely manner.	DEM score	-	DEM ≥ 9.0
	Approval of TT-L1043 and its disbursement.	0	1
Component II: Training, Evaluation and Sensitization			
Design of a system of indicators that would allow the monitoring and evaluation of the main components of the innovation system	System Design	0	1
A M&E Strategy developed	Report	0	1
Training activities in the areas of policy instrument design, impact evaluation of innovation policy instruments, and public communications	Number of Trainings	0	2
Component III: Strategic Private-Public Dialogue			
Improved and structured policy dialogue leading to meaningful action plans, resource mobilization, consensus building and clear accountabilities	Number of Policy Dialogues Held	0	3
	Number of Action Plans developed	0	3

Table IV. 2. Indicative Budget (in US\$ dollars)

Activity/Component	Description	IDB/Fund Funding	Counterpart Funding	Total Funding
I. Policy Instrument Design and Medium-term	Funding for international consultants responsible for the required studies	220,000	-	220,000

Activity/Component	Description	IDB/Fund Funding	Counterpart Funding	Total Funding
Institutional Roadmap	and design activities			
II. Training, Evaluation and Sensitization	Funding for development of the innovation system monitoring system, and training in innovation policy and impact evaluation	60,000	-	60,000
III. Strategic Private-Public Policy Dialogue	Funding for senior international consultants for the support of the roadmap and strategic policy dialogue	115,000	-	115,000
Monitoring and Evaluation		5,000		5,000
Total		400,000		400,000

V. EXECUTING AGENCY AND EXECUTION STRUCTURE

- 5.1 The Bank is the proposed executing agency, as a result of a direct request from the beneficiary (see IDBdocs#39381235). The request is justified given that, as an operational support TC, there are advantages in concentrating the management of consultancies and studies in the hands of the same team responsible for the preparation of the lending program in the Bank. Component III is intended to develop technical capacity in the MPLSD and the Executive Secretariat of the EDB and the CCI that will suffice for a timely and efficient launching of a number of activities contemplated in the lending program. This points to the fact that at present such capacity does not exist at the desirable level, a fact that would represent a likely source of delays in the execution of the TC, which includes activities that have to be closely coordinated with the preparation of the lending program. The Competitiveness and Innovation Division (IFD/CTI) will be the responsible unit in the Bank.

VI. MAJOR ISSUES

- 6.1 The political cycle can represent a risk of lack of policy continuity that would affect the timely achievement or could diminish the impact of the execution of this TC, should a change in incumbency represent a diverging view of priorities in innovation policy. This is considered a medium risk, since an election will take place right at the time of execution, yet the overall objective of productive development policy –meaning, economic diversification– to which this project contributes is widely shared across the political spectrum, as well among both public and private actors.. Several mitigation strategies have been put in place in order to diminish the effect of this risk: extensive support for public-policy dialogue in component III, as well as focusing capacity building in strengthening pre-existing programs and institution with an established base of support and good track record.

VII. EXCEPTIONS TO BANK POLICY

- 7.1 No exception of the Bank Policy is required for the TC.

VIII. ENVIRONMENTAL AND SOCIAL STRATEGY

- 8.1 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.” (See [Safeguards Policy Filter Report and the Screening Form](#)).