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

MILESTONE 01
The problem with dynamism (agility & adaptability) in Caribbean MSMEs

MILESTONE 02
Compete Caribbean’s efforts to accelerate private sector development in the Region

MILESTONE 03
More work that should be done to stimulate & optimize dynamism among Caribbean MSMEs
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.
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 innovation.

Program Statistics:
- US$30.5 million
- 101 projects across 15 countries
- 29% invested in regional projects
- 96.4% disbursed

What Compete Achieved in Phase 1 (2010-2017):

- National growth agendas developed through public private dialogue, and implementation supported.
- Institutions in charge of supporting private sector, investment promotion and/or competitiveness strengthened.
- Regulatory and policy reforms to improve business climate formulated and/or implemented.
- 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

**Firm Productivity & Innovation**
- Clusters and value chains
- Entrepreneurship & innovation ecosystem development
- Technology adoption in firms

**Business climate reforms**
- Policy & regulatory reforms
- Institutional strengthening
- Knowledge products and dissemination

Inclusiveness  
Gender  
Catalytic impact  
Sustainability
Over the past 10 years, these efforts have borne fruit...
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 \textit{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

Image Source: https://courses.lumenlearning.com/masterybusinesslaw/chapter/introduction-to-secured-transactions/
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*
*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

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

Funds Approved
US$200,000

Completion Date
6/12/2021

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)?
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.
"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
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
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
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.
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:

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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

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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