REQUEST FOR EXPRESSIONS OF INTEREST
CONSULTING SERVICES

Selection #: BA-T1094-0001
Selection Method: Simplified Competitive Selection
Country: Regional
Sector: IFD/CTI-Competitiveness, Technology and Innovation Division
Funding – TC #: ATN/OC-20163-BA
Project #: BA-T1094
TC name: Stimulating Private Sector Development in Barbados through Social Innovation
Description of Services: Consultancy to Develop a Policy Framework and Road Map for the Development of an Innovation Sandbox

Link to TC document: https://www.iadb.org/en/project/BA-T1094

The Inter-American Development Bank (IDB) is executing the above-mentioned operation. For this operation, the IDB intends to contract consulting services described in this Request for Expressions of Interest. Expressions of interest must be delivered using the IDB Portal for Bank Executed Operations (http://beo-procurement.iadb.org/home) by: **August 11th, 2023**, 5:00 P.M. (Washington D.C. Time).

To access the IDB Portal, the firms must generate a registration account, including ***all*** the data requested by the Portal. In the event that any of the information requested is not included, the firm will not be able to participate in this or any other Bank-executed selection process for operational work. If the firm has been previously registered, please validate that you have ***all*** the firm's information updated and complete before submitting an expression of interest.

The consulting services ("the Services") have the objective of developing a policy and operational framework to assist the government of Barbados in developing a global innovation sandbox that can attract international businesses conducting research and development and/or global startups. The consultancy will include identifying sectors in which to develop the sandbox and recommending strategies to promote linkages between businesses in the sandbox and the wider Barbadian business and entrepreneurial community. The contract is expected to be completed within a period of seven (7) months, with an estimated budget of USD 100,000. This consultancy is part of a larger project whose objective is to position Barbados as a test bed for globally oriented innovative start-ups which could have positive entrepreneurial and growth externalities to the rest of the economy.

At a minimum, the Consulting Firm will be expected to deliver the following outputs to facilitate the achievement of the objectives of the project:

1. A report on global innovation trends and identification of industry/regulatory spaces within which to create the sandbox.
2. The design of the regulatory sandbox and a pitch deck to attract businesses to the sandbox.
3. A strategy to create linkages between sandbox participants and the wider business sector.
4. Guidelines to manage the sandbox and conduct due diligence of sandbox participants.

In delivering the outputs of the consultancy, the Consulting Firm is expected to consult with national and international stakeholders, work closely with the government of Barbados to ensure that the consultancy fulfills its strategic objectives, and conduct validation workshops with stakeholders to get feedback on

recommendations.

Eligible consulting firms will be selected in accordance with the procedures set out in the Inter-American Development Bank: *Policy for the Selection and Contracting of Consulting firms for Bank-executed Operational Work* - GN-2765-4. All eligible consulting firms, as defined in the Policy may express an interest. If the Consulting Firm is presented in a Consortium, it will designate one of them as a representative, and the latter will be responsible for the communications, the registration in the portal and for submitting the corresponding documents.

The IDB now invites eligible consulting firms to indicate their interest in providing the services described above in the draft summary of the intended Terms of Reference for the assignment. Interested consulting firms must provide information establishing that they are qualified to perform the Services (brochures, description of similar assignments, experience in similar conditions, availability of appropriate skills among staff, etc.). Eligible consulting firms may associate in a form of a Joint Venture or a sub-consultancy agreement to enhance their qualifications. Such association or Joint Venture shall appoint one of the firms as the representative. The EOI must not be longer than 30 pages.

Interested eligible consulting firms may obtain further information during office hours, 09:00 AM to 05:00 PM, (Washington D.C. Time) by sending an email to: Sylvia Dohnert de Lascurain (sylviad@iadb.org), with a copy to Shamar Blenman (shamarb@iadb.org)

Inter-American Development Bank
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Draft Summary – Terms of Reference

Background and Justification

Barbados' GDP growth has stagnated over time, with an average annual GDP growth of only 0.16% in the two decades before COVID-19 (World Economic Outlook, April 2023 data), despite its undoubtedly very impressive human capital achievements. Like other Caribbean countries, Barbados' low levels of economic growth have been underpinned by stagnant Total Factor Productivity (TFP) growth over the past three decades.

At the macro level, TFP measures how an economy combines its inputs – capital and labor – to produce value and reflects technological change of an economy. At the micro level, TFP captures the innovation and/or technology development and adoption activities of private sector firms and captures the efforts to create more value in either new products or new processes. Producing more value with the same resources requires firms to innovate – understood as gradual or radical improvements in processes, products, organizational methods, business models, or marketing practices and external relations. Cross country research has found that 75% of the difference in TFP growth rates among countries can be directly explained by differences in the investment on research and development, which is a proxy for investment in innovation.

Although Barbados has been affected by the same stagnation of productivity growth as the rest of the Caribbean countries, its conditions are vastly different. On one hand, Barbados has attained an impressive education at all levels, including free excellent tertiary education, and has well-functioning labor markets. Barbados has also achieved a good quality of life marked by a relatively high GDP per capita, good quality public services, and relatively low income-inequality supported by relatively high wages (in comparison to the other Caribbean countries and to LAC). However, recent data indicates low private sector innovation efforts in Barbados. Of 13 Caribbean countries surveyed at the business level, Barbados is the country with the lowest proportion of innovative firms (12%), as compared to the average of the Caribbean countries surveyed (39%), as well as the country with the lowest proportion of potentially innovative firms (9%) as compared to the Caribbean average (33%). Notwithstanding, there is a greater percentage of Barbadian businesses carrying out green innovation as compared to the Caribbean average (54% vs. 50%), indicating the impact of Barbados' government policy providing incentives to green innovators. Some of the major obstacles that innovative and potentially innovative Barbadian businesses face in a more pronounced manner than their Caribbean counterparts are the organizational/managerial culture, the degree of self-confidence for innovation, the level of financial resources available for innovation, the qualification of employees, the time to market, and the size of the market.

The Barbadian government is aware of the importance of innovation for the development of the Barbadian economy. As such, a Ministry of Innovation and Smart Technology was created in 2018, and in 2021, the FutureBarbados program was formed under the Prime Minister's office as a call to action to engage talented young people under 35 to create and activate innovative solutions to national challenges. During the programs' first 12 months, FutureBarbados has successfully engaged 400 young persons in Barbados and the diaspora, created 23 ideas and concepts to support national transformation, and created 4 working prototypes that will move into Series A funding calls in Q2 2023.

In parallel, a successful, COVID-relief Welcome Stamp policy by the Barbadian government has created interest by global entrepreneurs and digital nomads of exploring the possibilities of launching entrepreneurial ventures from Barbados. Furthermore, the University of the West Indies Cave Hill campus has developed cutting edge curriculum in new fields such as artificial intelligence and the blockchain – which in turn strengthens the human capital base upon which to develop an innovative eco-system. Finally, the Barbados Prime Minister has been recognized on the international arena for her strong push in favor of climate resilience and innovative ways to finance climate solutions.

Climate change and disaster resilience are core to the survival of Barbados and to most of the world's small island developing states (SIDS). The constant threat of hazard events in the form of super storms as well as more insidious threats like rising sea levels lead to economic fragility. Innovative solutions for adaptation and resilience - from innovations in food security, to developing smart, real-time, sensor networks for rapid post-disaster diagnostics and responses are key to lives and livelihoods and have a market beyond Barbados.

Regulation can pose a barrier to innovation when it is unnecessarily burdensome or slow to adapt, but it can also act as a driver of innovation by providing important preconditions, such as general frameworks for finance and funding, intellectual property rights, and ground rules for competition and consumer protection, especially in sectors that are traditionally heavily regulated, such as telecommunications, finance, health and energy. Digital technologies and data have unlocked the potential for digitally enabled and innovative products and business models that often differ significantly to those in traditional markets, and that in some cases do not fit well within existing regulatory frameworks. One approach that policy makers have experimented with is the use of regulatory "sandboxes", which balance the tension of achieving regulatory goals without discouraging innovation, and at the same time provides a space for experimentation that recognizes the fast pace of digital transformation and the difficulty of predicting market developments and future public policy concerns.

To explore the potential growth opportunity created by climate change and other social challenges, the government of Barbados plans to capitalize its solid institutional reputation by launching a sandbox for global entrepreneurial solutions to these challenges. The government plans to enhance the attractiveness of the sandbox with government support and monetary incentives for a pre-determined period, the definition of which will be informed by this project. This TC project will assist the government in determining a framework within which to develop the sandboxes, as well as how to finance entities within the sandbox. A prior successful experience in Barbados with a fin-tech sandbox sets a precedent for this project.

Team's Mission

The general objective of the Technical Cooperation (TC) project that finances this consultancy is to support the Government of Barbados to design a set of strategies, policy tools and instruments that can position Barbados as a test bed for globally oriented innovative start-ups which could have positive entrepreneurial and growth externalities to the rest of the economy. The specific objectives are: (i) to support the Barbados' Government to produce a roadmap for the development of a global innovation sandbox; and (ii) to develop complementary risk capital financing mechanisms to expand the entrepreneurial scope of such a sandbox. This consultancy is aimed at fulfilling the first specific objective.

Objective

The objective of this consultancy is to design, in close collaboration with the Prime Minister's Office and IDB, a policy and operational framework for a global innovation sandbox that can attract international R&D and startups to Barbados and promote linkages between these firms and the wider Barbadian business and entrepreneurial community.

Scope of Consultancy

Specifically, the consultancy will:

- Map global innovation trends to identify key sectors for attracting global startups, R&D projects and academic institutions wishing to pilot and scale concepts.
- Identify and recommend to the government of Barbados the type of regulatory spaces to create that can attract global R&D and startups with potential interest in scaling up business models from

Barbados.

- Develop a sandbox framework to help enhance the national innovation climate for testing social innovations to attract global innovators. This framework will include:
    - a regulatory and policy roadmap identifying potential blockages and providing alternative options based on global case studies.
    - a strategy for the execution of the roadmap, including ways to foster inter-institutional collaboration to support the recommended sandbox(es).
    - an operations manual for the sandbox, including a due diligence framework to identify sandbox participants.
    - a strategy to encourage linkages between sandbox participants and the Barbadian business and entrepreneurial community, which can foster positive innovation spillovers
    - an identification of potential talent pools and skills gaps to create the supporting environment.

A separate consultancy, also financed under this project, will create an operational framework for an innovation fund that can finance domestic and global entrepreneurs entering the sandbox.