

Caribbean Incubation Needs Assessment & Feasibility Study

Terms of Reference

Introduction to Entrepreneurship Program for Innovation in the Caribbean (EPIC)

EPIC is designed to create and grow competitive micro, small and medium-sized enterprises (MSMEs) across the Caribbean region. It will help entrepreneurs overcome persistent challenges facing owners and managers of MSMEs in the Caribbean region by: (i) using business incubation to provide a sustainable suite of services for start-up entrepreneurs comprising advisory services, mentorship, and access to infrastructure; (ii) upgrading skills and capabilities of regional incubator managers and policymakers for supporting MSME development; and (iii) providing seed funding to promising MSMEs to help them successfully scale their operations. The countries that will benefit from EPIC present different challenges, as their economic, geographic and political environments are not homogeneous; and their business enabling environments and local capacities differ. Incubation initiatives must properly meet these diverse needs through sustainable and contextualized models.

Please find further information about EPIC in the PIP here:

<http://www.infodev.org/en/Publication.1112.html>.

Challenges for Entrepreneurship in the Caribbean

Over the past decade, the Caribbean region as a whole experienced relatively robust economic growth, aided by massive flows of foreign direct investment, trade preferences, and public investment. However, growth performance has not translated into higher employment. Economic diversification is required, and this will also require productivity increases to offset relatively high wages. Some diversification has already taken place in the region, notably in niche manufacturing and various service sectors, but this process needs to be accelerated to reverse high unemployment and brain drain trends in a sustainable way.

Efforts such as EPIC, which seek to promote innovation and entrepreneurship in the developing world, face challenges, including a lack of skilled labor, small internal markets, diversity of contexts, and dominant industries. Therefore, there is a need to tailor support to entrepreneurs towards models that overcome these challenges and fill the specific needs of the region.

Purpose and Scope of this Study

infoDev is undertaking an ambitious program to improve the support to entrepreneurs in the Caribbean region. A key component of this will be through the expansion of business incubation in the region. The goal of business incubation is to improve the growth prospects of start-ups which will contribute to the ultimate goal of growing employment and increasing competitiveness. It does so by providing infrastructure, mentoring, networking and facilitating access to finance and markets. However, within this goal there are a wide variety of forms and functions that an incubator can take as it reaches sustainability. The purpose of this study is to understand what form and function best fits the Caribbean context(s). This will involve three linked components:

1. Assess the needs of the entrepreneurial community in the Caribbean with special attention to sectors that are likely to have a high impact on employment and competitiveness.
2. Examine the models through which those entrepreneurial constraints might be overcome to maximize start-up success.
3. Conduct preliminary feasibility analysis of those models.

Methodology

Final methodologies will be decided in consultation with *infoDev* and the selected firm, but it is expected that the following will occur:

- Desk review to understand the global diversity of incubation-type approaches, their comparative advantages, costs, prerequisites, etc.
- Desk review of existing literature and initiatives about entrepreneurship and innovation in the Caribbean.
- Assessment of the economic sector landscape to identify sectors, areas and type of companies that have the highest chance of reaching a mature stage of development (i.e. sustainable businesses).
- Expert interviews to assess entrepreneurial needs and best opportunities, including sector assessments on their competitiveness and potential for development.
- Roundtable and in-depth interviews with entrepreneurs and investors.

1. Needs of the Entrepreneurial Community

Based on the assessment of the economic landscape, the selected firm should be able to assess the needs of the entrepreneurial community in the Caribbean through a combination of roundtables, expert interviews and desk research. The study should identify the sectors, areas, and type of Caribbean MSMEs with greatest potential for growth as priorities, the characteristics of firms in those sectors, and the gaps and challenges facing those firms. Attention will also be focused on women-managed MSMEs, to further assess whether there are additional challenges in becoming entrepreneurs in comparison to their male peers, and what the associated needs to overcome these barriers are. The analysis should also touch upon any particular opportunities and challenges faced by MSMEs working in climate-friendly technology sectors, such as clean energy or relating to resiliency to climate change.

2. Models through which to Promote Successful Entrepreneurship

EPIC aims to support entrepreneurship in the Caribbean region and has flexibility in the design of the intermediaries through which this is done. There exist many forms of entrepreneurial support mechanisms, some of which may be appropriate for the Caribbean. Non-exhaustive examples include:

- Traditional incubation
- Virtual incubation
- Start-up accelerators
- Co-incubation
- Value-chain approaches

The study should approach these models through a combination of desk review of relevant literature and interviews with experts. The goal of exploring different models is to understand what form of start-up

support is most appropriate given the contexts of the Caribbean islands. Therefore, the study should examine the advantages, disadvantages, requirements, and likely impacts of the different models. This should include an assessment of post-graduation support, as well. In addition, the study should identify tentative benchmarks to measure success. The models explored should be grounded in the realities of the needs and capacities entrepreneurs in the Caribbean. As such, this could take the form of a SWOT analysis. If appropriate, lessons learned from other regional incubator networks can be considered in the feasibility analysis, such as for example, incubators in African countries and the networks through which they collaborate.

3. Preliminary Feasibility Analysis of those Models

Given what the study learns about the needs and capacities of entrepreneurs in the region, as well as the relative advantages of different entrepreneurial support mechanisms, it should seek to assess the feasibility of select models in the region. This will include a cost-benefit analysis, as well as likely gaps that will remain. The feasibility analysis should also identify and review legal and tax issues involved setting up vehicles for granting support as well as the implications for the entities receiving the support. Benchmarks to measure success will also be identified.

Expected Outcomes

infoDev expects to hire a firm that can deliver a high-quality study in a timely fashion, while working collaboratively with *infoDev* throughout the process. Given the centrality of this study to future *infoDev* work, firms that demonstrate a client-centric, engaged approach are sought, and it is expected that the consultants will be in close touch with *infoDev*. The study should produce a detailed analysis of the innovation landscape in the Caribbean with concrete recommendations about a plan of action to expand the support available to entrepreneurs. This will include:

- A landscape analysis and recommendations of key sector, areas, companies to promote through incubators
- Assessment of ongoing entrepreneurship and innovation initiatives, including their strengths and weaknesses;
- An assessment of the needs and capacity of local entrepreneurial communities, including women;
- An assessment of different potential incubation-like initiatives that EPIC could support, including financial planning, business modeling, follow up strategies for graduating companies, economic impacts of recommended models.
- Stakeholder database of experts and entrepreneurs consulted.

infoDev will also be studying the financing needs and feasibility of assisting through technical and financial instruments aimed at entrepreneurs, and it is expected that the selected firm for this ToR will link into that concurrent work.

Timeline

- ***Interim Report.*** The team will report the initial findings and recommendations to the *infoDev* team for clarification purposes. March 15
- ***Final Report.*** April 30

Call for Expressions of Interest

Please respond to this call for EOI, indicating in which countries you wish to work, via the World Bank's eConsult system, at: <https://wbgeconsult2.worldbank.org>, selection #1055949, no later than 11.59 pm on December 26th, 2011.