

CHAPTER 2: PROJECT DESCRIPTION AND BUDGETED COST

2.1. PROJECT OBJECTIVES

The general objective of this first individual operation is to promote sustainable and robust growth among startups and MSMEs in Jamaica. The specific objectives are to: (i) promote innovation and productivity among established MSMEs with high growth potential; (ii) promote sustainable growth in scalable startups; and (iii) create a sustainable pipeline of high-growth potential startups.

2.2. PROGRAM COMPONENTS

Component I. Innovation and growth for established SMEs. This component will target established SMEs (at least seven years old)²⁴ and is geared to promote efficiency and growth through the development and adoption of innovation. It will allow participant SMEs to use inputs and factors in more productive ways (improving productive processes, creating new products, and adopting more efficient technologies, among others), therefore enabling faster growth. This component has three subcomponents:

Subcomponent I.1 Investment in Innovation in SMEs. This subcomponent will promote the increase of inputs for innovation among firms by: (i) supporting innovation in established SMEs through matching grants for investments in innovation²⁵ in either processes or products; and (ii) financing public and club goods for clusters²⁶ of collective use that would allow SMEs to increase their efficiency, as well as economies of scale and scope. Also, this subcomponent will finance consulting services to support potential beneficiaries with the elaboration of business or cluster plans for their proposals, including, specialized advisory services.

This subcomponent will include activities to support the provision of innovation grants to (i) women lead firms, (ii) COVID-19 responses and (iii) initiatives with a gender perspective. It will also provide COVID-19 response grants for firms involved in open collaboration to accelerate the development of innovative and gender responsive²⁷ solutions to global health challenges (solutions such as tracking of health status and geographic coordinates

²⁴ Private sector firms registered in Jamaica with financial audited statements.

²⁵ Such as adoption or creation of new technologies (for example new technologies with potential to mitigate climate change aspects), including prototyping, commercialization, standardization and certification practices, creation and adoption of novel manufacturing and commercialization process and provision of new services with new technologies.

²⁶ A cluster program includes several firms that gather together for a venture that could not be done on an individual level. Examples of club goods are, developing a common brand, training activities or building a storage facility for common use.

²⁷ Both men and women led firms can take a gendered perspective to their solutions, taking into consideration within their business models and practices the needs of women as customers and employees.

of infected patients, information exchange between health hotline and affected patients, strengthening value chains for the provision of sensitive services, strengthening fabrication labs to design new products or provide services to remote areas etc.) and climate change mitigation and adaptation solutions. It will also provide for targeted communication and specialized consulting services focused on supporting women entrepreneurs resulting in a target percentage of women beneficiaries accessing grants.

Subcomponent I.2 Patent Development and Commercialization. This component is oriented to promote innovation among firms and considers the development of: (i) commercial prospection analysis²⁸ and (ii) providing matching grants for patenting. This would allow firms to identify global demand for novel products, processes or business models that would have commercial feasibility, supporting them also with appropriate intellectual property protection.

Subcomponent I.3. This subcomponent is intended to promote adoption of cutting-edge technology among SMEs with a global orientation by: (i) strengthening the capability of technical extension and business development centers to support firms to adopt technology and provide matchmaking services with technology suppliers; (ii) providing vouchers for extension services²⁹, and (iii) strengthening of service providers. The beneficiaries can be either public or private technology extension providers that will access the matching grants through a competitive process and will finance capacity building activities, training, improvement of existing infrastructure and equipment (laboratory, digital services and prototyping) and specialized consultancies. Services to be financed include professional services in business management, use of cloud computing, use of digital technologies for market product and services, technology development and adoption, among others.

Component II. Facilitating innovation and growth for scalable startups. This component targets scalable startups, defined as MSMEs that have proven the concept of their business model and commercial viability (and need support for acceleration given their potential for scaling up) with a focus on gender perspective and climate change issues. Support in this context means both finance to accelerate operations and technical assistance to scale-up services (outreach to markets, mentoring and governance, among others). This component is structured in two subcomponents.

Subcomponent II.1 Stimulating Deal Flow. The objective of this subcomponent is to stimulate deal-flow of scalable startups by: (i) strengthening acceleration centers (public and private accelerators in Jamaica can

²⁸ These analyses investigate the patenting and licensing activity on global intellectual property banks to map out demand for specific technology.

²⁹ Using the same methodology of the current voucher program of the DBJ in which eligible SMEs may receive vouchers (ranging from US\$10,000 to US\$50,000) to be used to access services at Business Development Organizations (BDOs), Technology Extension Service Provider, Accelerators and Incubators.

submit proposals for strengthening their services); and (ii) providing acceleration services for scalable startups, with emphasis in scalable startups with COVID responses that have a gender perspective. Activities to be financed include professional and training services for these accelerators as well as equipment required for the capacity building of the scalable startups. The provision of the services of these accelerators to the startups with most growth potential will be carried out through voucher programs. For high-tech and/or advanced scalable startups, this voucher program will also include services with international accelerators, the development and adoption costs of new cutting-edge technologies, technological missions abroad, and outreach to international accelerators.

This subcomponent supports a gender-responsive approach to COVID-19 challenges posed by startups. The voucher program will (i) support accelerator institutions in designing and implementing business continuity pilots which address gender specific issues of firms impacted by COVID-19; (ii) promote local Jamaican technology firms to develop and offer digital and/or green technological solutions; and (iii) strengthen Business Support Institutions to provide programs to create digital capacity of MSMEs, with particular support to women-led firms and/or firms addressing gender issues.

Subcomponent II.2 Facilitating Access to capital for scalable startups. This component will allocate resources to: (i) establish a venture capital (VC) fund that will provide equity financing to early stage, scalable and investment-ready startups and (ii) capitalize a Sidecar Fund (SF).

A Sidecar Fund is an investment vehicle available to investor through angel investment groups. In this mechanism, the DBJ will provide matching grants to startup companies that have been selected by Angel Investors and that follow an established set of criteria that includes gender perspective, climate change support and responses to COVID-19 issues.

They will be guided by Jamaica's existing Venture Capital and Private Equity Policy (VD PEP)

approved in 2015 and updated in 2018. The VDPEP defines the procedures in which the DBJ can participate as a Limited Partner (LP)³⁰ anchor investor in a Venture Capital Fund, as well as risk management practices, investment constraints and monitoring and evaluation³¹.

This subcomponent will provide equity financing to women-led startups. Fund managers and angel investors will be provided with gender sensitive training to improve selection methodologies that are geared to increase the understanding of women-led startups. It will promote and encourage startups investing in circular business models and that deliver climate resilient services and products. This component will also address issues relating to women's participation and influence within high tech scalable startups by providing mentoring and networking support to women-led startups in coordination with key actors.

³⁰ A Limited Partner is a partner who has a share of ownership but takes no part in managing the partnership. Thus, a Limited Partner is not liable for any amount greater than the original investment in the partnership.

³¹ This policy was carried out with the support of the ongoing Jamaica Venture Capital Project currently being executed with the financing of IDB-LAB.

The Venture Capital Fund (VCF) will be managed by a Fund Management Firm, selected through a competitive process. Some of the required criteria for participation and selection will include: (i) proven experience, expertise and operational capacity for VCF; (ii) professional and managerial skills; (iii) good governance and transparency practices; and (iv) proven use of financial, social and environmental standards. The Fund Management Firm will establish the Venture Capital Fund. Appropriate investment documents such as Limited Partnership agreement, subscription agreement, and other required documents will define the terms and conditions of the DBJ's participation.

The SF³² will support scalable start-ups' access to equity by matching the support from Angel Investors on eligible ventures, that will be selected through calls for proposals and the eligible firms will need to have a financial commitment from the Angel Investors to access the investment. This component will address issues that hinder women's participation in high tech scalable start-ups. The VC and the SF are independent but complementary instruments.

Component III: Facilitating innovation and growth for high potential startups. This component will serve those potential beneficiaries (entrepreneurs and MSMEs) at the early stage that have potentially successful value propositions and that could become scalable startups, with a gender perspective and focus on climate change issues. It is structured in three subcomponents.

Subcomponent III.1 Technological Transfer. This subcomponent will foster the capabilities of the eco-system to assist entrepreneurs in valuing, transferring and commercializing the technology they have developed by: (i) creating and/ or strengthening a Tech-Transfer Office including a gender- responsive gap analysis, action plan and implementation of the action plan. Activities to be financed include: (a) specialized equipment; (b) specialized training; (c) infrastructure improvements; (d) training; (e) specialized services for patenting; and (f) licensing such as legal experts, technology commercialization experts. Also, by (ii) providing vouchers for corporate entrepreneurship services and capacities through open innovation,³³ supporting

³² A Sidecar Fund is an investment vehicle that provides equity or matching grants to companies that are being supported by Angel Investors.

³³ Open innovation is defined where an organisation doesn't just rely on their own internal knowledge, sources and resources (such as their own staff or R&D for example) for innovation (of products, services, business models, processes etc.) but also uses multiple external sources (such as customer feedback, published patents, competitors, external agencies, the public etc.) to drive innovation. In this case, it is proposed that open innovation addresses issues that limit women's participation in the productive economy or any other barriers. The open

vouchers dedicated for open innovation activities that propose solutions to identified gender issues and COVID-19 challenges which are gender focused, linking large firms with entrepreneurs to cooperate on innovation challenges for the established company and to provide financial and commercial support for the startup. Corporates will be required to undertake a gender audit.

Subcomponent III.2 Incubator Support. This subcomponent will support the development of a pipeline of startups with high growth potential by: (i) creating and/ or strengthening current incubators centers to provide support to women; (ii) providing vouchers to be used in incubation centers with a gender perspective; (iii) the creation of a Seed Capital Fund that will provide entrepreneurs with innovative ideas early stage matching grants for: ideation, business model discovery phase, prototyping, and commercialization with a gender perspective (matching grants will finance prototyping, de-risking emerging technologies, proofs of concepts, testing and certification, access to information and professional services among others) and (iv) mentorship, networking and women targeted diffusion and awareness including awards to outstanding women leaders and women led startups. Eligible beneficiaries are public and private incubator centers and entrepreneurs, inventors, or new startups with proposals that show high growth potential.

The voucher program for incubators will: (i) support incubator institutions in designing and implementing business continuity pilots which address issues of firms impacted by COVID-19, especially gender specific issues; (ii) promote local Jamaican technology firms to develop and offer digital and/or technological solutions; and (iii) strengthen Business Support Institutions to provide programs to create digital capacity of startups with high potential, with particular support to women-led startups and/or startups addressing gender issues.

Subcomponent III.3. Deal flow generation. This subcomponent includes: (i) the strengthening of research institutions; (ii) the provision of vouchers for research and development (mission related research, including specific support for women led research initiatives); (iii) support for academic institutions on entrepreneurship; (vi) training and skills for entrepreneurship and (v) implementation of digital bootcamps.

This subcomponent includes, as well, grants for women led research initiatives, gender-responsive training and skills for entrepreneurship (i.e., promoting gender equality in the workplace, innovative product design that accounts for gender and diversity, etc.), and a digital skills bootcamp which includes scholarships and curriculums targeted to women.

innovation process usually addresses the most pressing problems identified by the subjects that are experiencing the problems, in this case women.

Eligibility Criteria for Beneficiaries. Eligibility criteria for beneficiaries of the program include: (i) women led firms or firms with gender perspective initiative; (ii) an entity incorporated and registered to operate in Jamaica, (ii) comply with licenses and permits to operate under Jamaican law or be in the process of obtaining them; and (iii) who meet the full criteria established in a call for proposals, including the counterpart requirements. Ecosystem beneficiaries such as technology extension services providers, accelerators, incubators and technological transfer offices must be registered with the DBJ in order to access support services. Individual entrepreneurs and inventors with ideas with high potential for scaling up will also be eligible, with priority given to women led initiatives. Selection criteria of potential beneficiaries will include: (i) innovative merit; (ii) technological impact; (iii) commercial viability; (iv) coherence in formulation; (v) positive incidence on environmental aspects, including climate change adaptation and mitigation; (vi) positive incidence on gender issues; (vii) positive incidence on post-COVID 19 recovery; and (vii) social and environmental sustainability among others.

The program will target innovation activities, and beneficiaries will likely include agriculture, small scale light manufacturing, information, and communication technologies (ICT), construction and tourism sectors.

The program will address the gender gap in Total Entrepreneurial Activity in Components I, II and III through service delivery models adapted to the needs of women entrepreneurs (communication, mentoring, advisors, peer networks, and childcare support). On the demand side, a more diverse group in decision making will be encouraged, seeking a more diverse management structure³⁴.

³⁴ Evidence shows that more diverse-owned/managed private equity firms tend to invest more often in diverse companies and generate higher internal rates of return (IRR) (16.15% vs 11.3%). National Association of Investment Companies (2018).