

TC Document

I. Basic Information for TC

▪ Country/Region:	REGIONAL
▪ TC Name:	Experiential Learning of Cluster Development Best Practices in Small and Vulnerable Countries
▪ TC Number:	RG-T3519
▪ Team Leader/Members:	Hennessey, Michael P. (IFD/CTI) Team Leader; Bertrand, Annie (IFD/CTI); Cox, Shameka Tameisha (IFD/CTI); Drakes, Lisa (IFD/CTI); Franklyn, Russell Levon (IFD/CTI); Grant, Kayla Sharee (IFD/CTI); Kelly Castillo, Emily Leticia (IFD/CTI); Lindsay, Courtney Oliver (IFD/CTI); Verissimo Da Silva, Carolina (LEG/SGO)
▪ Taxonomy:	Client Support
▪ Operation Supported by the TC:	.
▪ Date of TC Abstract authorization:	13 Jun 2019.
▪ Beneficiary:	Belize; Dominica; Grenada; Guyana; Saint Lucia; Suriname.
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	Compete Caribbean Partnership Facility(CCP)
▪ IDB Funding Requested:	US\$1,250,000.00
▪ Local counterpart funding, if any:	US\$162,735.00 (In-Kind)
▪ Disbursement period (which includes Execution period):	30 months
▪ Required start date:	October 2019
▪ Types of consultants:	Individuals; Firms
▪ Prepared by Unit:	IFD/CTI-Competitiveness, Technology and Innovation Division
▪ Unit of Disbursement Responsibility:	IFD-Institutions for Development Sector
▪ TC included in Country Strategy (y/n):	No
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Productivity and innovation; Institutional capacity and rule of law

II. Objectives and Justification of the TC

- 2.1 The objective of this TC is to enhance the capacity of small and vulnerable Caribbean countries to support clusters by enabling local Business Support Organisations (BSOs) to facilitate the implementation of cluster projects. This is the third (3rd) phase of a comprehensive cluster capacity building approach that seeks to address diseconomies of scale and scope in the Caribbean. This will be achieved by transferring know-how to identify clusters, analyze strategic options, and implement a growth plan through the cluster methodology involving both public and private sector stakeholders. This approach was carefully designed based on the strategy undergirding the Compete Caribbean Partnership Facility (CCP) to institutionalize improved coordination and to sustain productivity gains post program implementation. The seven (7) relatively small-scale Cluster Development Plans (CDPs) to be implemented in six (6) countries under this TC will affect lasting change as they will provide an opportunity for the BSOs involved to learn-by-doing, as well as to solve problems in collaboration with others on the ground, thereby optimizing results over time.

- 2.2 Under the first phase of this experiential learning initiative (RG-T3021), the CCP selected 10 BSOs competitively across 7 countries¹ based on their interest to learn and apply the cluster methodology. During this project, a diagnostic of the capacity and commitment to support clusters was completed for each BSO and nine of them remained involved in the co-design of Capacity Enhancement Plans (CEPs)².
- 2.3 Under the second phase of this cluster methodology transfer initiative (RG-T3330), a 3-week training program was delivered to these BSOs and other public and private actors in the six (6) countries to address the gaps identified in the CEPs. The training included a component on gender gap analysis. Technical assistance was also provided to apply the cluster methodology to the design of Cluster Development Plans (CDPs). Overall, nearly 150 individuals participated in the training, 107 received a certificate from the European Foundation for Cluster Excellence, and 14 CDPs were prepared in collaboration with diverse stakeholders including from the private sector. Most importantly, this collaborative approach to the CDP design over a 3-month period created a sense of local ownership and brought together BSOs from different ministries, divisions or sectors (eg: agriculture and tourism) to focus on a common strategy and growth plan. In July 2019, the first set of 8 CDPs were submitted to an Investment Panel (IP) for an independent evaluation. Seven among them were deemed suitable for funding as evidenced by the final score of the judges after a thorough evaluation and pitch session³. A brief summary of each CDP is included in the below table, along with the links to view the full CDP.

	Business Support Organization⁴	Cluster Development Plan
1.	Dominica Export Import Agency (DEXIA)	Dominica Cocoa Cluster : Farmer associations and cooperatives representing 300 small farmers, along with producers of value-added products (such as cocoa tea, and chocolate), have been faced with dwindling local production and export of Fine Flavor Cocoa, due to hurricane devastation of crops and climate change impact. To capitalize on the high global demand for Fine Flavor Cocoa, the international recognition attained by Dominican cocoa, and to reach specialty markets with a high-quality premium product at consistent supply, this Cluster will focus on expanding production using climate-smart approaches, and on improving productivity and standards of production to meet buyer requirements.
2.	Belize Trade and Investment Development Service (BTIDS)	Belize Seaweed Mariculture Project : The depletion of marine resources resulting from overfishing, and from climate-change impact on marine habitats, has led to decreased fishing income for traditional fisherfolk in Belize, Belize, Grenada, Guyana, Jamaica, Saint Lucia, Saint Vincent, and the Bahamas. Seaweed Mariculture offers a unique solution given its significant environmental and ecological benefits. Both targeted customer segments for Belize's seaweed – health conscious direct consumers and gastronomy (chefs) – consider the sensory and nutritional elements of the product to make purchasing decisions. The focus of this Cluster will therefore be to expand production while maintaining (PBC) was unable to consult the resources required and used to reach the right buyers.

¹ Under the RG-T3021 initiative, 7 countries were selected for the capacity building program; this left 6 countries involved in the program. In the 2nd phase of the program (RG-T3330), Suriname joined, for a total of 7 countries involved in the program. The July 2019 Investment Panel did not approve the CDP from St. Vincent and the Grenadines; these 6 are the beneficiaries of this current TC.

² The Jamaica Business Development Corporation (JBDC) was unable to consult the resources required and used to reach the right buyers.

³ Click [here](#) for the minutes of the IP proceedings.

⁴ Of the seven (7) BSOs benefiting from this ITC, 6 are public entities. The Cluster comprises the implementation of policies (economic development, environmental, and social) and the promotion of the activities of the cluster. The 2 (GHTA and THAG) are non-profit organizations with different thematic areas of expertise and offer soft business support, with different thematic areas of expertise and offer soft business support. They are interested in strengthening their capacity to take over the key competitive business areas that includes visits to indigenous communities, and historical sites. Ongoing oil exploration and other investments expected in Guyana, along with road construction that would provide greater access to the Essequibo, augur well for increased visitor arrivals to Guyana. The Cluster therefore seeks to increase the visibility of the Essequibo to potential visitors, and to refine the product offering to make it more competitive.

4.	Export St. Lucia	<p>Bee City Cluster: Honey production represents a viable economic option for most of the rural Saint Lucian population. This traditional sub-sector has remained largely under-exploited and utilizes traditional methods of extraction and limited use of technology. However, the raw/natural honey produced by the beekeepers is a much sought out commodity in the specialty markets and by health conscious consumers. There are currently no formal exports of St. Lucia honey, and there is also the opportunity for the Cluster to expand its products to high-value, hive by-products such as apitoxin, and queen bees.</p> <p>This cluster, comprising small and medium size producers of raw honey, aims to increase production, and the quality and competitiveness of Saint Lucian honey and by-products in the most attractive markets.</p>
5.	Grenada Hotel and Tourism Association (GHTA)	<p>Cluster Development Plan for Grenada's Floricultural Industry: The GHTA has identified the need to support local services feeding into the hotels, restaurants, mega-yacht services and private aircraft facility. In Grenada, demand for tropical flowers exceeds supply and success at the Chelsea Flower Show over the last 20 years has resulted in requests for export orders from high-end retailers in the UK. Additionally, Grenada's mountainous terrain lends itself to adding new varieties of flowers to expand the current product offering available.</p> <p>To take advantage of these opportunities, the Cluster represented by the Flower Growers and Arrangers Association of Grenada, in collaboration with the GHTA, aims to improve the performance of the floricultural industry, address climate change impacts, increase volume of production and exports, consequently impacting revenues and employment levels including youth.</p>
6.	Competitiveness Unit Suriname (CUS)	<p>North Commewijne Tourism Cluster: The Cluster involves 20 tourism and agro-tourism companies, restaurants, tourism guides, boatmen transport association, and local communities. This CDP aims to enhance the tourism assets in one of Suriname's leading cultural/historic/eco-tourism destinations—the North Commewijne "island"—and to unify and strengthen the cluster's stakeholders and national partners behind a world-class tourism destination promotion campaign. The Cluster will market the North Commewijne Tourism area as a high-value and high-quality tourism experience centered on the unique characteristics of the culture, nature, heritage, history and Asian and Indian selling points to penetrate the tourism market segments in the Netherlands and Caribbean.</p>
7.	Grenada Investment Development Corporation (GIDC)	<p>The Grenada Chocolate Cluster: The Cluster is comprised of five main chocolate producers who utilize locally grown fine flavoured cocoa beans from over 3,000 cocoa farmers. The International Cocoa Council (ICCO) in May 2016, recognized and noted that 100% of Grenada's exported cocoa is classified as fine flavoured. Therefore, there are no low-quality cocoa varieties present on the island, which makes Grenada a trusted source for cocoa, chocolate and other byproducts. The Cluster's goal is to increase the competitiveness of the industry through the production and supply of premium chocolate to the global marketplace.</p>

2.4 Across the 7 CDPs, common issues related to quality standards, productivity, and market penetration have been identified. As explained in the CDPs, the production capacity of these small countries prevents them from being price-competitive on mass markets; hence the clusters' strategy is to target specialty markets where consumers are willing to pay a high price for a high-quality product. The clusters therefore need to raise their quality standards to meet these buyers' requirements which, for clusters

such as the Dominica Cocoa Cluster, relate to food safety compliance and certification issues that have implications for the current cultivation and harvesting practices, fermentation and drying techniques, transportation and storage, and traceability. Similarly, both tourism clusters need to improve in the areas of food safety, hospitality management, interpretative tour guide training, and natural resource management to provide a high-value tourism experience. Most clusters also identified the need to apply new technologies to increase productivity, as they are currently unable to consistently produce at levels to meet demand. For instance, in Grenada, where flowers are imported because of the excess local demand, the Floriculture Cluster requires technical support for greenhouse and biogas programs, and knowledge exchange with countries in Latin America, to introduce alternative, high-yielding, growing processes. The majority of clusters also need to establish or strengthen market linkages. The tourism clusters need to increase visibility of their destinations, and the Belize Seaweed, St. Lucia Beecity and Grenada Floriculture clusters need to establish relationships with overseas buyers, logistics, and marketing for their products to reach the targeted export markets.

- 2.5 The implementation of these CDPs (maximum \$200,000 each) under this TC represents the third phase of the capacity building effort in small and vulnerable countries. During this experiential learning process, counterpart BSOs will coordinate with other stakeholders and address the challenges of change management in clusters. CCP will provide continuous support, consolidate the results from its monitoring and evaluation system, and lessons learnt will be captured to deepen and share the learning across Caribbean countries.
- 2.6 This institutionalization process of the cluster methodology was designed in alignment with the CCP's theory of change for Instrument 1 called "*Support to Clusters and Value Chains*". In the initial phase (RG-T3021), it was essential to raise awareness about the value of clustering and obtain commitment to change attitudes towards collaboration among BSOs and between BSOs and the private sector. The training program delivered under RG-T3330 was then necessary to fill the knowledge gaps and provide the incentives for behavior change. This was achieved by applying the knowledge acquired to the cluster development plans relevant to their country. During this last implementation phase, the TC will not only enable the BSOs and other stakeholders to put into practice the behavior change but also contribute to the ultimate goals of Compete Caribbean. More specifically, the cluster projects are focused on improving the competitiveness of strategic sectors to increase revenues and employment for vulnerable groups. The cluster methodology addresses the coordination and other market failures to help micro, small and medium enterprises (MSMEs) grow and innovate. This approach to inclusive and sustainable economic development is described in the "*Proposal for the Establishment of the Compete Caribbean Partnership Facility*" (GN-2851). The TC is aligned with Pillar I of CCP, as it aims at institutional strengthening and capacity-building of organizations in charge of promoting clusters (see paragraph 2.5 of GN-2851); these organizations include governmental institutions in charge of promoting private sector and legally constituted private sector entities (as per paragraph 2.10 of GN-2851).
- 2.7 This TC is also consistent with the Update to the Institutional Strategy (UIS) 2010-2020 (AB-3008) as it contributes to the objectives of developing quality human capital and building smart institutional frameworks in response to the development challenges of productivity and innovation; and it addresses the special needs of small and vulnerable countries in fostering development through the private sector. It is also

aligned with the cross-cutting theme of institutional capacity and rule of law, as it aims to build the capacity of local support institutions to remove constraints for business growth and productivity. The TC is also aligned with the country strategies of Belize (GN-2746), Guyana (GN-2905) and Suriname (GN-2873), which all identify private sector competitiveness and development as priority areas. Finally, the TC will support the adoption of new technologies and improved production methods in order to enhance competitiveness; and is therefore also aligned with the priorities defined in the Innovation, Science and Technology Sector Framework Document (GN-2791-3).

III. Description of activities/components and budget

- 3.1 This technical cooperation aims to support the implementation of Cluster Development Plans and facilitate the change management process being led by the BSOs. The BSOs will gain hands-on experience of driving implementation of a cluster project; they will be chairing the project steering committee and responsible to review deliverables funded under all components of the TC relevant to their project.
- 3.2 **Component 1. Capacity building to help Cluster members increase productivity, quality of products, as well as overall quantity of supplies in these small and vulnerable countries (US\$560,000).** This component will seek to increase the capacity of MSMEs from the selected CDPs to supply their product in a more consistent manner, and according to the quality expected by the market segment targeted. More specifically in the case of honey production and cocoa, this component will support training to adopt and maintain quality standards that meet the requirements of buyers in the value chain. In the case of seaweed and cut flowers, technical assistance will be provided to improve the supply chain and logistic of these perishable products. As for the two community-based tourism clusters in Suriname and Guyana, this component will support training and capacity building activities to be delivered to local guides and community entrepreneurs to help them access and meet the demand of visitors. The outputs expected under this component includes 10 training workshops, 2 manuals outlining best-practice standards of production, and 6 completed technical assistance consultancies to support with adoption of new processes or technologies.
- 3.3 **Component 2. Marketing and international market penetration (US\$360,000).** Based on the rigorous analysis conducted with the support of international experts in cluster development, the CDPs identify the most attractive market segments and outline strategic priorities to increase global competitiveness within these segments. This component will aim to improve the competitive position of each cluster in the export-oriented, market segments identified. To penetrate these more lucrative markets in sustainable way, this component will aid in the development of marketing strategies, branding and distribution channels for each target segment. This is particularly relevant to the Belize Mariculture and Grenada Floricultural clusters where market channels need to be established, and for both tourism clusters where a well-designed destination branding and marketing strategy is crucial to capturing specific tourism market segments. This component will support these efforts by procuring a consulting firm or individual consultants to develop and implement marketing plans. This TC will support the export promotion activities outlined in these action plans (eg: fam tours). The component expects to implement 6 marketing plans.
- 3.4 **Component 3. Stakeholder coordination, monitoring and evaluation (M&E) (USD\$280,000).** The objective of this component is to address the coordination failure among cluster stakeholders in six (6) countries, monitor progress and evaluate results.

During the cluster development planning process over the +3-month period, the stakeholders were involved in collecting primary/secondary data, conducting industry and value chain analysis, benchmarking and strategic segmentation. Consensus building activities enabled diverse stakeholder to agree on a growth plan and priorities that must be addressed in order to help MSMEs grow. While defining the areas of improvements for the implementation plan however, additional capacity was clearly needed by each BSO to coordinate the activities, facilitate communication, solve problems, monitor progress and comply with the reporting requirements of CCP. Therefore, short-term consultants will be contracted to support each counterpart BSO in facilitating the implementation of the cluster project in collaboration with other stakeholders. CCP will provide these local managers with the M&E templates required to ensure effective reporting. The outputs under this component include the implementation of 7 CDPs as well as the monitoring and evaluation reports for each project.

- 3.5 **Component 4. Knowledge Exchange and Change Management (US\$50,000).** The objective of this component is to evaluate and support the effectiveness of the experiential learning approach by providing the BSOs with an avenue for reflection, peer-to-peer learning, and additional coaching for improvement. This will promote and reinforce the value of the cluster methodology as a tool for inclusive and sustainable economic development in small and vulnerable Caribbean states. The activities under this component will include webinars and knowledge sharing events for cluster stakeholders to discuss successes and challenges, allowing for knowledge sharing and collaborative problem solving. Workshops and events will also foster intra-regional dialogue on cluster development policies and facilitate the creation of a network of Caribbean Cluster Support Organisations (CSOs). As CDP implementation unfolds, CCP will assist the stakeholders with the change management process within and across clusters. In the end, CCP will consolidate the results and capture lessons learnt about the 3-phase approach to cluster capacity building. The outputs will include workshops/events, webinars and a discussion paper on cluster development in the Caribbean.
- 3.6 The total cost of this TC is US\$1,412,735, of which US\$1,250,000 will be financed with resources of the Compete Caribbean Partnership Facility and US\$162,735 will be provided by in kind contributions from the participating BSOs. These in-kind contributions represent time (labor costs) or office space provided by the BSOs involved in the project implementation.

Indicative Budget

Activity/Component	Description	IDB/Fund Funding	Counterpart Funding	Total Funding
Component 1 - Capacity building to increase productivity, quality of products.	Procurement of individual consultants and firms; of workshops' venue, catering and materials; and of travel and accommodation	US\$560,000	US\$0.00	US\$560,000
Component 2 - Marketing and international market penetration.	Procurement of individual consultants and firms; of workshops' venue, catering and materials; and of travel and accommodation	US\$360,000	US\$0.00	US\$360,000

Component 3 - Stakeholder coordination, monitoring and evaluation (M&E).	Procurement of individual consultants	US\$280,000	US\$65,094	US\$345,094
Component 4 - Knowledge Exchange and Change Management.	Procurement of individual consultants and firms; of workshops' venue, catering and materials; and of travel and accommodation	US\$50,000	US\$97,641	US\$147,641
Total		US\$1,250,000	US\$162,735	US\$1,412,735

IV. Executing agency and execution structure

- 4.1 The execution of this TC will be carried out by the Bank's Competitiveness and Innovation Division (IFD/CTI) through the Compete Caribbean Partnership Facility (CCP) Coordination Unit established in COF Barbados. Project indicators will be monitored following the Monitoring and Evaluation (M&E) framework of the CCP.
- 4.2 The Compete Caribbean's Facility Coordination Unit, approved under GN-2851, was jointly designed with donors to be a Bank Executed Program, and has accumulated a lengthy experience on successful implementation of cluster projects in the Caribbean. The Bank has demonstrated its ability to coordinate and motivate actions across diverse stakeholders at both the national and regional levels.
- 4.3 Although IDB remains the executive agency, the CCP will engage directly with the lead institutions on the ground to ensure they gain the practical experience of supporting a real-life cluster.
- 4.4 Execution of this TC has been arranged in line with Annex 10 of the Operational Guidelines for Technical Cooperation Products (GN-2629-1). Given this 3-phase capacity building program is an initiative of the CCP, CCP is the Executing Agency. The BSOs initially requested to participate in this capacity building in 2017, in response to a call for BSOs in vulnerable countries interested in strengthening their capacity to develop business clusters. Through Letters of Request (Annex I) these BSOs have requested to remain involved in this 3rd phase of the capacity building program being supported by this TC.
- 4.5 The execution and disbursement periods will be 30 months, and the Unit of Disbursement Responsibility (UDR) will be IFD. The activities to be executed are included in the Procurement Plan (Annex IV) and will be contracted in accordance with Bank policies as follows: (a) AM-650 for Individual consultants; (b) GN-2765-1 and Guidelines OP-1155-4 for Consulting Firms for services of an intellectual nature and; (c) GN-2303-20 for logistics and other related services.

V. Major issues

- 5.1 The most significant risks to achieving the planned objective are: (i) the additional workload could place strain on the few BSOs with a small staff complement; and (ii) inadequate level of collaboration among private and public stakeholders.
- 5.2 These risks have been analyzed and appropriate risk-mitigating measures identified. Compete Caribbean's Facility Coordination Unit, which has a track record for successful implementation of cluster projects, will monitor these few BSOs particularly

closely and will assist more with execution during peak periods. A team comprising FCU staff and IDB specialists will provide technical inputs and oversight for the duration of the project implementation and will review and exercise quality control over the projects' deliverables. In addition, there is a budget allocation for the BSOs to hire additional resources to address cluster facilitation constraints. During the beginning of project implementation emphasis will be placed on mobilizing public and private stakeholders, communicating project goals, and highlighting their roles in successful implementation. Site visits will be conducted by the CCP team and regular progress reports will be elicited from stakeholders to keep them engaged throughout implementation. Such frequent communication and sharing of information will promote transparency and help to increase trust among stakeholders.

VI. Exceptions to Bank policy

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

VII. Environmental and Social Strategy

- 7.1 Given the nature of the project, there are no associated environmental or social risks. Based on the Environment and Safeguards Compliance Policy (OP-703) this operation is classified as "C", meaning that no environmental assessment studies or consultations are required for this category (see [Safeguard Policy Filter](#) and [Safeguard Screening Form](#)).

Required Annexes:

[Request from the Client_96404.pdf](#)

[Results Matrix_21468.pdf](#)

[Terms of Reference_54921.pdf](#)

[Procurement Plan_62325.pdf](#)