

TC ABSTRACT

I. Basic Project Data

▪ Country/Region:	REGIONAL/CCB - Caribbean Group
▪ TC Name:	Capacity Building and Applied Research in Cluster Development Best Practices
▪ TC Number:	RG-T3330
▪ Team Leader/Members:	HENNESSEY, MICHAEL P. (IFD/CTI) Team Leader; BERTRAND, ANNIE (IFD/CTI); DRAKES, LISA (IFD/CTI); LINDSAY, COURTNEY OLIVER (IFD/CTI); FRANKLYN, RUSSELL LEVON (IFD/CTI); GONZALEZ ALZUALDE, YOHANA BEATRIZ (IFD/CTI); GRANT, KAYLA SHAREE (IFD/CTI); LOPEZ DE VALLES, MARIA FERNANDA (IFD/CTI); VERISSIMO DA SILVA, CAROLINA (LEG/SGO)
▪ Taxonomy:	Client Support
▪ Number and name of operation supported by the TC:	N/A
▪ Date of TC Abstract:	31 Jul 2018
▪ Beneficiary:	Belize Dominica Grenada Guyana Jamaica St. Kitts and Nevis St. Lucia; St Vincent and the Grenadines
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK
▪ IDB funding requested:	\$ 700,000.00
▪ Local counterpart funding:	\$ 176,100.00 (In Kind)
▪ Disbursement period:	24 months
▪ Types of consultants:	Individuals; Firms
▪ Prepared by Unit:	Competitiveness, Technology and Innovation Division
▪ Unit of Disbursement Responsibility:	Institutions for Development
▪ 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 ; Gender equality

II. Objective and Justification

- 2.1 To enhance the capacity of Business Support Organizations (BSOs) in the Caribbean to function as effective Cluster Support Organizations (CSOs) thereby increasing the competitiveness of SMEs operating in clusters throughout the Region.
- 2.2 The first phase of the Compete Caribbean program (CC1) provided support to cluster initiatives and delivered outstanding results: Over 5595 jobs were created (nearly 80% for women); the revenue of firms and clusters supported increased by 40% over the baseline; and six clusters developed new or improved products or services. The end of program evaluation identified two critical success factors that must be in place to foster collaboration and ensure sustainability of cluster initiatives: (1) an integrated, collaborative and strategic approach must be anchored and driven by a national/local institution; and (2) facilitation and project management skills are essential to ensure effective cooperation, progress and monitoring & evaluation. CC1 found that unfortunately such capacity was lacking in some Caribbean islands. This was evidenced through the poor quality of project concept notes received from clusters in response to CC1's call for proposals. Only 38% of applications received were deemed fit for funding by the evaluation panel and only one application from the OECS territories was funded. Thus, for the second phase of the Compete Caribbean program (CC2), it became evident that a capacity building effort of local institutions would be necessary to enable industry clusters to be used as drivers of economic growth in these

small and vulnerable countries.

2.4 In September 2017, under a previous operation (RG-T3021, Assessing the Capacity to Build Clusters in Small and Vulnerable Countries), CC2 issued a call for expressions of interest of such local institutions, allowing for applications to be presented from public or private organizations in the Region, such as Business Associations, SME Development Councils/Centres, Partnership Facilities, Industry Development Authorities, Chambers of Commerce, etc. In the end, nine (9) BSOs in eight countries were selected and benefited from a detailed assessment of their institutional capacity in relation to global best practices in cluster development. The main activities under the technical cooperation were completed in June 2018 with nine comprehensive Capacity Enhancement Plans (CEPs) having been completed, in addition to a toolbox comprising templates and tools to increase overall facilitation skills for engaging diverse stakeholders. Although each CEP includes some specific particularities, most needs and proposed solutions were relatively similar for the BSOs involved. Through stakeholder workshops and consultations, Social Network Analysis, the Business Model CANVAS, and COMPASS of Cluster Competitiveness, the CEPs identified some common weaknesses across BSOs including: (i) well-developed or proven approach for cluster management and promotion not in place; (ii) limited information/ data on potential clusters; (iii) lack of cluster methodologies and tools; (iv) no facilitation skills among the staff; (v) limited/ lack of secured funding support; and (vi) weak management of cluster stakeholders and projects. The CEPs therefore crafts a roadmap for BSOs to acquire the knowledge, training and coaching support activities needed to address these weaknesses and increase the BSO's capacity to support local clusters effectively in their respective context. The CEPs have been developed in close collaboration with the BSOs, with each CEP having been reviewed and discussed with Compete Caribbean, and ultimately, approved by the competent authority of the respective BSO.

III. Description of Activities and Outputs

- 3.1 **Component 1.** Cluster Development Training and Support (US\$526,800). The objective of this component is to transfer a common methodology for cluster development to BSOs in the region and strengthen their capacity to execute such initiatives. Under this Component, experts will be hired to provide training in cluster best practices and advise the BSOs through the process of identifying and supporting the growth of clusters. Specific activities to be undertaken include workshops for the BSOs in cluster development theory and practice, value chain analysis, process mapping, group dynamics and facilitation techniques. Although each BSO is expected to submit at least two CDPs, the local capacity to organize, engage in public-private partnerships, collaborate and drive innovative ideas across diverse sectors will be much greater as a result. The BSOs will therefore be in a better position to mobilize resources which may increase opportunities for IDB and its partners to provide additional support over time.
- 3.2 **Component 2.** Sector Specific Training (US\$159,760). This component will seek to address identified gaps in sector-specific knowledge and capacity of the BSOs or the clusters themselves which span the following sectors: community-based tourism, agro-processing, cocoa and the creative industries. Under this Component, consultancies will be undertaken to: (i) provide training in Global Good Agricultural Practices (GAP) and food safety standards; (ii) provide training in climate smart agriculture; (iii) conduct research into solutions for drying and other problems experienced by agricultural producers of such crops as cocoa; and (iv) address particular needs within the creative industry clusters such as intellectual property rights management and commercialization, and establishing linkages with tourism and other sectors. This Component will also fund other consulting services as required, to address needs emerging during implementation of Component 1.

Component 3. Training on Gender Equality and Climate Change Issues (US\$189,540). This component will support activities to enhance the capacity of the BSOs and clusters to analyse and address challenges related to gender equality and climate change. Specific activities will include gender gap assessments of BSOs and firms, leadership and soft skills training for women leaders in BSOs and firms, and climate change simulation for land zoning and crop management. This Component will also introduce and apply exponential technologies to the clusters' operations, and digitise the BSOs' collection of monitoring and evaluation data from their clients.

IV. Budget

Indicative Budget

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
Cluster Development Training and Support	\$ 447,900.00	\$ 78,900.00	\$ 526,800.00
Sector Specific Training	\$ 129,760.00	\$ 30,000.00	\$ 159,760.00
Training on Gender Equality and Climate Change Issues	\$ 122,340.00	\$ 67,200.00	\$ 189,540.00

V. Executing Agency and Execution Structure

- 5.1 The Compete Caribbean Partnership Facility (CCPF), approved under GN-2851, was jointly designed with donors to be a Bank Executed Program, through the CCPF's Facility Coordination Unit (FCU) established in COF Barbados. The Bank has demonstrated its ability to coordinate and motivate action across diverse stakeholders at both the national and regional levels. The execution of this TC will be carried out by the Bank through the Competitiveness and Innovation Division (IFD/CTI) in coordination with FCU. Project output indicators will be monitored following the Monitoring and Evaluation (M&E) framework of the CCPF.
- 5.2 The execution and disbursement period will be 24 months and the UDR will be IFD. The procurement of individual consulting services will be carried out by the IDB in accordance with Human Resources (HRD) Complementary Workforce Policy (AM-650). The procurement of consulting firms will be carried out by the IDB in accordance with the Policy for the Selection and Contracting of Consulting Firms for Bank-executed Operational Work (GN-2765-1). The procurement of consulting services different from consultants will be carried out by IDB in accordance with Corporate Procurement Policy (GN-2303-20).
- 5.3 In accordance with a Financial Agency Agreement signed between the IDB and the Caribbean Development Bank (CDB), the CDB will act as the Financial Agent for the purposes of administering the Facility grant resources that will finance the implementation of individual projects in the Organization of Eastern Caribbean States (OECS).
- 5.4 The execution agency will be the Bank through the Compete Caribbean program, because this one provided support in it's first phase (CC1) to cluster initiatives and delivered outstanding results: Over 5595 jobs were created (nearly 80% for women); the revenue of firms and clusters supported increased by 40% over the baseline; and six clusters developed new or improved products or services. The end of program evaluation identified two critical success factors that must be in place to foster collaboration and ensure sustainability of cluster initiatives: (1) an integrated, collaborative and strategic approach must be anchored and driven by a national/local

institution; and (2) facilitation and project management skills are essential to ensure effective cooperation, progress and monitoring & evaluation.

VI. Project Risks and Issues

- 6.1 The most significant risks to achieving the planned objective are: (i) low levels of interest/understanding of clusters among stakeholders; (ii) persons trained leave the organization shortly after; (iii) small market size and lack of critical mass; and (iv) consultants are not sufficiently qualified and/or do not use a hands-on approach to support the BSOs effectively. These risks have been analyzed and appropriate risk-mitigating measures identified. The number of educational sessions/meetings with stakeholders on the ground will be optimized and complemented with regular virtual sessions. Case studies and instructional tools will also be used to facilitate understanding of benefits. Training will be documented, and more than one BSO staff will be invited to participate in training along with key stakeholders from other departments or institutions relevant to the clusters. To address the possible lack of critical mass, cross cluster/sector activities, which are closely linked to local economic development, will be supported. Additionally, the procurement and selection process will be carefully planned to ensure top quality of the consulting team. In addition to these, a team comprising FCU staff and IDB specialists will give technical inputs and oversight for the duration of the project implementation and will review and exercise quality control over the project's deliverables.

VII. Environmental and Social Classification

- 7.1 The ESG classification for this operation is "C".