

## TC Document

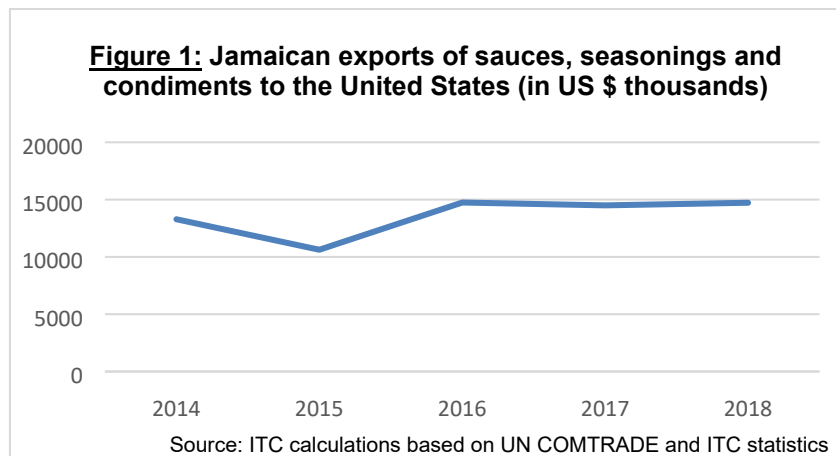
### I. Basic Information for TC

▪ Country/Region:	JAMAICA
▪ TC Name:	Building a New Shared Brand for the Jamaica Sauces & Spices Cluster
▪ TC Number:	JA-T1192
▪ Team Leader/Members:	Stevenson, Claudia (IFD/CTI) Team Leader; Bertrand, Annie (IFD/CTI); Blair, Sudaney (CCB/CJA); Cox, Shameka Tameisha (IFD/CTI); Drakes, Lisa (IFD/CTI); Franklyn, Russell Levon (IFD/CTI); Gonzalez Alzualde, Yohana Beatriz (IFD/CTI); Greco, Maria Sofia (LEG/SGO); Lindsay, Courtney Oliver (IFD/CTI); Pereira, Stefano (IFD/CTI)
▪ Taxonomy:	Client Support
▪ Operation Supported by the TC:	.
▪ Date of TC Abstract authorization:	12 May 2020.
▪ Beneficiary:	Jamaica Sauces & Spices Cluster (led by Catiki Foods Limited)
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	Compete Caribbean Partnership Facility(CCP)
▪ IDB Funding Requested:	US\$300,000.00
▪ Local counterpart funding, if any:	US\$51,500.00 (Cash) US\$47,500.00 (In-Kind) Total: US\$99,000.00
▪ Disbursement period (which includes Execution period):	36 months of disbursement and execution
▪ Required start date:	August 15th, 2020
▪ Types of consultants:	Individuals; Firms
▪ Prepared by Unit:	IFD/CTI-Competitiveness, Technology and Innovation Division
▪ Unit of Disbursement Responsibility:	CCB/CJA-Country Office Jamaica
▪ TC included in Country Strategy (y/n):	Yes
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Social inclusion and equality; Productivity and innovation; Gender equality

### II. Objectives and Justification of the TC

- 2.1 The objective of this TC is to increase revenues, employment and exports for three Jamaican agro-processors and their suppliers by supporting the positioning of new pepper sauces & spices products competitively in the mainstream U.S. market.
- 2.2 The new products will be manufactured with raw materials (fruits and vegetables) sourced from a network of over 500 farmers from various parts of the island. The sustainability of this value chain in the long run depends to a high degree on the productivity of these farmers, which in recent years has been affected by climate change related factors, either by droughts or heavy rains. This TC will begin to address these challenges.

- 2.3 With the purpose of expanding the export market, three Jamaican agro-processors<sup>1</sup> have established Catiki Foods Limited, a company that owns and manages the new Half Way Tree (HWT) brand. The partnership has been working collaboratively to develop six export-oriented product formulations. They agreed to coordinate production and utilize 50% of their capacity for the manufacturing of these new products. The TC<sup>2</sup> will provide technical assistance to the cluster for marketing and exporting this new line of all-natural sauces, seasonings and dressings to the mainstream market. This market innovation came as a result of the ethnic segment currently targeted in the USA being saturated<sup>3</sup>. Sales have stagnated over the last five years as shown in Figure 1 below. The new mainstream market however requires additional effort in adapting the products and packaging for people unfamiliar with their features. To facilitate market penetration, the cluster will continue to work closely with the national investment and export promotion agency JAMPRO, which in the past has provided direct support to the firms for building their export capacity.



- 2.4 This Jamaica Sauces & Spices Cluster initiative has been selected for funding by the Compete Caribbean Partnership Facility (CCPF) through an extensive competitive process<sup>4</sup>. The project is aligned with the priorities of Pillar I (Productivity and Innovation) of the Facility (GN-2851) which is a private sector development program focused on increasing productivity, revenues, and employment in the Caribbean, especially for women and vulnerable groups. The TC is also consistent with the Second Update to the Institutional Strategy (UIS) 2010-2020 (AB-3190) as it is strategically aligned with the development challenges of promoting technology and

<sup>1</sup> The 3 cluster firms are King Pepper Products Ltd, Tijule Company and Canco Limited.

<sup>2</sup> This initiative constitutes the continuation of the IFC-World Bank and European Union funded "Jamaica Sauces & Spices Project", under which the Half Way Tree brand was created and a first set of products developed.

<sup>3</sup> United States is the main importer of Jamaican sauces, seasonings and condiments, but this market has shown some signs of stagnation in the last five years. The ethnic market in the U.S. is a saturated niche where companies have no option different than to reduce prices year after year to compete for a very price-sensitive group of buyers of the Caribbean diaspora. Hence, the only way of competing in a sustainable way in the long-run is to move to the mainstream market and find alternatives to cater for consumers from other groups (i.e. different than members of the Caribbean diaspora).

<sup>4</sup> Click [here](#) to see the full Cluster Development Plan submitted to CCP.

innovation; it also addresses the crosscutting issue of climate change and environmental sustainability. The project is aligned with the Jamaica Country Strategy as it seeks to increase productivity and growth of the private sector, including the agriculture sector by strengthening its linkages to manufacturing. It is also in line with the priorities defined in the Innovation, Science and Technology Sector Framework Document (GN-2791-3) by supporting the use of innovation for productivity growth and economic development.

### **III. Description of activities/components and budget**

- 3.1 **Component 1: Market Development (US\$286,500).** This Component aims to raise awareness about the HWT brand among consumers, and to establish market linkages to distribute throughout the U.S. mainstream market. Since a new profile of client will be targeted, it is critical to invest in a marketing strategy and distribution channels.
- 3.2 A consulting firm will be hired to assist the Cluster with the design and execution of marketing strategies for both the retail and food service channels in the USA. The marketing experts will assist in the launch and testing of the HWT brand in the export markets. A communication agency will also be contracted to facilitate engagement and retention of consumers. The outputs under this component include a promotion and brand awareness strategy, marketing materials, and content for the HWT website and social media, exploiting the uniqueness of the traditional recipes' elements and the superiority of the Jamaica brand.
- 3.3 These activities are expected to enable penetration of the retail food chains and food service distributors in the USA, as well as generating market analytics reports on the level of awareness and exports of the HWT brand to gauge the success of the marketing strategies.
- 3.4 **Component 2: Product Development (US\$44,000).** The objective of this Component is to develop new products under the HWT brand for the food service channel targeted (eg: restaurants, catering operations, etc.) since new products have already been developed for the retail market channel (eg: groceries). Under this Component, some of these six formulations will be adapted and developed into three new products to fit the buyers' requirements in the food services. A food technologist will be hired to work with the cluster companies given the infrastructure and equipment in adapting the formulations. Laboratory food safety testing for the new formulations will also be conducted. The main outputs under this component would be three newly developed products that appeal to consumers in the food service market. The outcomes expected include increased exports by cluster companies and a more sustainable source of revenues for vulnerable farmers in rural areas.
- 3.5 **Component 3: Value Chain Transformation and Management (US\$68,500).** The aim of this Component is to improve the performance and climate resilience of farmers in the Sauces & Spices value chain. A cluster manager will be hired to coordinate project activities and ensure successful execution of the TC, and to also engage with farmers and other key stakeholders to build a common agenda for enhancing productivity and competitiveness in foreign markets. Based on these consultations,

the cluster manager will be responsible to define additional intervention(s), to be implemented with revenue<sup>5</sup> from the exports of HWT products. These additional projects will have a focus initially on climate change mitigation, a crucial factor for the improvement of raw material production in the long term. The project will establish social, economic, and environmental best practices to ensure that vulnerable farmers are receiving a fair price and protected in case of crop losses to the best extent possible.

- 3.6 To address the specific needs of women-owned farms with respect to climate resilient practices, the project team will collaborate with the Rural Agriculture Development Authority (RADA) to identify women farmers, and then conduct campaigns and farmer-meetings to generate awareness about such practices. During these engagements, farmers will learn about best practices related to climate friendly agricultural practices (bio fertilizers and pesticides, indigenous seed collection and preservation, crop-diversification), and support better water management methods, to encourage water conservation and assist with investment in management systems. Knowledge exchange from model farms will also be facilitated.
- 3.7 Key outputs under this Component include quarterly monitoring reports of the TC's impact on cluster stakeholders; and the design and start of additional projects to enhance the competitiveness and inclusiveness of the cluster value chain. Following CCPF's Monitoring and Evaluation framework, key indicators captured in the report to track the success of the project will include sales of the firms involved, their exports, and the number of additional farmers that join and benefit from the cluster initiative. These project results and lessons learnt will be captured and communicated via press releases and CCP's website, for the benefit of similar regions that want to market sauces and spices under common brands.
- 3.8 The indicative budget for this technical cooperation is US\$399,000. Of this amount, US\$300,000 will be provided the Compete Caribbean Partnership Facility (CCPF). Local counterpart cash contribution of US\$51,500 will be made by Catiki Foods Limited. Catiki Foods Limited and King Pepper Ltd will make in-kind contributions of US\$37,500.00 and US\$10,000.00 respectively, for a total of US\$47,500.00 in local contribution in kind.

**Indicative Budget**

<b>Activity/Component</b>	<b>IDB/Fund Funding</b>	<b>Counterpart Funding (Cash)</b>	<b>Counterpart Funding (In-Kind)</b>	<b>Total Funding</b>
I. Market Development	\$ 210,000	\$ 45,000	\$ 31,500	\$ 286,500
II. Product Development	\$ 30,000	\$ 3,500	\$ 10,500	\$ 44,000
III. Value Chain Transformation and Management	\$ 60,000	\$ 3,000	\$ 5,500	\$ 68,500

<sup>5</sup> A percentage of 5% is planned to be used exclusively as funding for development of additional projects to benefit farmers linked to HWT's supply chain.

TOTAL	\$ 300,000	\$ 51,500	\$ 47,500	\$ 399,000
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#### **IV. Executing agency and execution structure**

- 4.1 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. In accordance with Section 2.d., Annex 10 of GN-2629 it is appropriate for the Bank to execute TCs where a local entity with the legal and institutional capacity to execute cannot be readily identified. Therefore, the execution of this TC will be carried out by the Bank through the Competitiveness and Innovation Division (IFD/CTI) and the CCPF's FCU. Project output indicators will be monitored following the Monitoring and Evaluation (M&E) framework of the CCPF. The project will be executed in coordination with the Jamaica Sauces and Spices Cluster.
- 4.2 The Compete Caribbean's Facility Coordination Unit 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 The execution and disbursement period will be 36 months and the UDR will be CCB/CJA. All activities to be executed under this TC have been included in the Procurement Plan and will be contracted in accordance with Bank policies as follows: (a) AM-650 for Individual consultants; (b) GN-2765-4 and Guidelines OP-1155-4 for Consulting Firms for services of an intellectual nature and; (c) GN-2303-28 for logistics and other related services.

#### **V. Major issues**

- 5.1 The current health pandemic poses the main risk to achieving the project objectives. Economic contraction and job losses in the U.S will lead to fall in consumer demand that would negatively impact the project's sales targets. As a mitigating measure, the Cluster will direct its marketing efforts to states within the U.S. where economic activity has been less affected, and upon deeper analysis will consider diversifying its target markets by expanding beyond the U.S.
- 5.2 The health crisis has also resulted in more stringent, sanitary operating requirements. In this regard, the 3 cluster firms are certified with GFSI recognized Food Safety Certification. The firms will continue to comply with Public Health guidelines regarding a) wearing of masks b) social distancing c) screening of employees and visitors to gauge exposure to the virus through questionnaires and temperature checks. The firms will also continue to conduct sensitization sessions with all staff as needed during the pandemic.
- 5.3 A shortage of raw materials may arise as the new product lines are introduced and sales volumes grow over time. To mitigate this risk, as the business grows the umbrella company will actively grow and diversify its supplier base. Also, where possible the company will enter contractual relationships with farmers to secure an adequate

supply of raw materials. Additionally, complementing projects are planned to be executed in the medium term in order to improve the performance of farmers.

- 5.4 To ensure sustainability of the project results, after the end of the TC the Cluster members intend to continue outreach to farmers and to invest in their viability. The cluster will also diversify farmer locations so that there are wider areas of supply in the event of a disaster. Additionally, the Cluster plans to expand its product range through sound product development – targeting 2 new products per year; to expand distribution platforms, particularly e-commerce and food service reach; and to expand its export base to Canada, UK and the EU.

## **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 TC, no negative environmental impacts are foreseen. The TC will support the strengthening of processes and capacities of the cluster firms to enter new exports markets, for which reason public works or infrastructure will not be financed. In accordance with the Bank's Environment and Safeguards Compliance Policy (OP703), this operation has been classified in category "C". See [Safeguards Policy Filter Report](#) (SPF) and the [Safeguard Screening Form](#) (SSF).

### **Required Annexes:**

[Request from the Client\\_89808.pdf](#)

[Results Matrix\\_9798.pdf](#)

[Terms of Reference\\_69477.pdf](#)

[Procurement Plan\\_99611.pdf](#)