

## Technical Cooperation Document

### I. Basic Information for TC

▪ Country/Region:	REGIONAL/IDB
▪ TC Name:	Compete Caribbean: Assessing the Capacity to Build Clusters in Small and Vulnerable Countries
▪ TC Number:	RG-T3021
▪ Team Leader/Members:	HENNESSEY, Michael (Team Leader) BERTRAND, Annie (Alternate Team Leader) GIBSON, Tamara – (Creator) GIBSON, TAMARA WYNETTE – (Operational Analyst) PEREIRA, STEFANO – (Operational Analyst) DOHNERT DE LASCURAIN, SYLVIA EVA – (Team Member) COX, SHAMEKA TAMEISHA – (Project Assistant) GRANT, KAYLA SHAREE – (Operational Analyst)
▪ Indicate if: Operational Support, Client Support, or Research & Dissemination	Research & Dissemination
▪ If Operational Support TC, give number and name of Operation Supported by the TC:	-----
▪ Date of TC Abstract authorization:	May 4, 2017
▪ Beneficiary (countries or entities which are the recipient of the technical assistance):	Antigua and Barbuda; Belize; Dominica; Grenada; Guyana; Jamaica; St. Kitts and Nevis; St. Lucia; and St. Vincent & the Grenadines.
▪ Executing Agency and contact name:	US-IDB – Dohnert Sylvia
▪ Donors providing funding (amount and Fund's name):	CCP - Compete Caribbean Partnership Facility
▪ IDB Funding Requested:	\$367,500.00
▪ Local counterpart funding, if any:	\$0.00
▪ Disbursement period:	24 months
▪ Required start date:	May 25, 2017
▪ Types of consultants:	Firm
▪ Prepared by Unit:	Competitiveness & Innovation
▪ 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:	

### II. Objectives and Justification of the TC

- 2.1 The objectives of this TC are: (i) To assess the capacity of business support organisations (BSOs) that develop and manage industry clusters in Compete Caribbean beneficiary countries; (ii) To share research findings, best practices and recommendations for institutional capacity building with these organisations; and (iii) To identify amongst these organisations, those that can be transformed into effective Cluster Support Organisations (CSOs) with technical assistance.
- 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 collective 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.

- 2.3 Unfortunately, in some Caribbean islands, CC1 found that such capacity was lacking. 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.
- 2.4 For the second phase of the Compete Caribbean program (CC2), it became evident that a capacity building effort of local institutions is necessary if industry clusters are to be used as driver of economic growth in small and vulnerable countries. These organisations can be public or private such as Business Associations, SME Development Councils/Centres, Partnership Facilities, Industry Development Authorities, Chambers of Commerce, etc.
- 2.5 To foster sustainability of Compete Caribbean's impact in the region over time, CC2's plan in the first two years of operations for the pillar related to *Productivity and Innovation in the Private Sector* is to build the capacity of local/regional organizations in executing and achieving similar results. Once the capacity building efforts have been completed, CC2 will launch various calls for proposals to co-finance innovation projects and clustering initiatives (Year 2-3), consistent with the Proposal for the Establishment of the Compete Caribbean Partnership Facility (GN-2851)<sup>1,2</sup>. The local capacity to organize, engage in public-private partnerships, collaborate and drive innovative ideas will be much greater as a result. As the capacity of some organizations increases significantly over time, opportunities for providing loans and other support may be identified for future IDB programs.
- 2.6 The purpose of this TC is solely to assess the readiness of local organizations and disseminate information related to the findings of those assessments, and the concept of clustering. A second TC will be created to implement capacity enhancement plans for selected organizations through technical assistance. An Administrative TC will be used for initial sensitization, information gathering, networking and marketing the program across the region and identify potential partners and beneficiaries. Other TCs will be created in Year 2-3 to call for, refine, evaluate and implement proposals related to innovation and cluster initiatives.
- 2.7 *Synergies with Regional Priorities* – The CARICOM's Regional Policy Framework for Science Technology and Innovation (STI) focuses on nine areas for intervention, including innovation and entrepreneurship, standardization, research and

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<sup>1</sup> Paragraph 2.30. Organization of Eastern Caribbean States (OECS) countries and smaller vulnerable countries. Based on the lessons from the first phase, the smaller, more vulnerable countries in the region (i.e. the OECS countries) require additional support and capacity building. Thus, capacity building activities, in particular for clusters and direct support to firms will be initiated for these countries prior to the calls for proposals to enhance their ability to present good quality projects.

<sup>2</sup> The terms of the calls for proposals will be established before launching the calls, and included in subsequent technical cooperations. The other TCs will be created to implement cluster projects. In years 2-3, after the institutions have been strengthened, CC2 will launch a competition for cluster projects. As such, the activities of each project cannot be defined at this time, but the estimated budget for each operation will be US\$500,000 to be disbursed over a two-year period in cluster projects that fall under the general themes of Innovation, Productivity, Entrepreneurship and Technology Extension Services.

development, and intellectual property rights. The aforementioned areas are key elements that business support organisations work to develop in cluster networks.

- 2.8 *Institutional Strategy 2010-2020*: This TC is consistent with the Update to the Institutional Strategy (UIS) 2010-2020 (AB-3008) as it is strategically aligned with the development challenges of: (i) productivity and innovation; and (ii) economic integration and specifically addressing the special needs of small and vulnerable countries and fostering development through the private sector. The program is aligned with the priorities defined in the Innovation, Science and Technology Sector Framework Document (GN-2791-3). The project is also aligned with the priorities of the “Proposal for the Establishment of the Compete Caribbean Partnership Facility” (GN-2851).

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

- 3.1 **Component 1:** Assessment of Business Support Organisations to Determine their Readiness in Developing and Managing Clusters (US\$200,000). This component will finance a consultancy to assess the capacity of business support organisations in Compete Caribbean beneficiary countries. The consultancy will focus on understanding the extent to which each organization can (i) identify and develop two cluster strategies per country; (ii) Manage the growth of these clusters; (iii) Transfer knowledge to cluster stakeholders about the minimum social, environmental and women empowerment standards that foster inclusive and sustainable growth; and (iv) Monitor and report progress and results. A fifth dimension related to the capacity of these organisations to manage innovations funds will be added if relevant.
- 3.2 **Component 2:** Preparation of Capacity Enhancement Plans (US\$100,000). This component of the consultancy will recommend capacity building activities along the four dimensions assessed that could transform the organization into an effective Cluster Support Organization (CSO). The recommendations will be advanced along four themes: (i) the allocation of specific human or financial resources from the organization’s leadership; (ii) possible changes to processes, staff and technology along with the estimated budget and timeline; (iii) risks and barriers that may be encountered if selected, along with potential mitigation strategies; and (iv) policy or regulatory reform for cluster development. These capacity building activities may include cluster mapping, training, workshops, webinars, support for the adoption of technology and M&E tools, etc.
- 3.3 **Component 3:** Knowledge Dissemination (US\$67,500). Component 3 will finance the creation of instructional tools (videos, graphic and print materials) to foster a deeper understanding of best practices related to clustering, productivity, gender, etc. These inspiration and educational tools will be disseminated through the CC Newsletter (reaching 11,000 people in the region); the CC website ([www.competecaribbean.org](http://www.competecaribbean.org)); field visits, webinars, and partnering organisations across the region.

#### Indicative Budget

Activity/Component	Description	IDB/Fund Funding	Counterpart Funding	Total Funding
<b>Component 1:</b> Assessment of Business Support Organisations to Determine their Readiness in Developing and Managing Clusters	Funding for assessment and knowledge generation	\$200,000.00	\$0.00	\$200,000.00

Activity/Component	Description	IDB/Fund Funding	Counterpart Funding	Total Funding
<b>Component 2:</b> Preparation of Capacity Enhancement Plans	Funding for strategic planning	\$100,000.00	\$0.00	\$100,000.00
<b>Component 3:</b> Knowledge dissemination	Funding for knowledge dissemination	\$67,500.00	\$0.00	\$67,500.00
			<b>Total Funding</b>	<b>\$367,500.00<sup>3</sup></b>

#### IV. Executing agency and execution structure

- 4.1 The execution of this TC will be carried out by the Bank through the Competitiveness and Innovation Division (IFD/CTI) in coordination with the Facility Coordination Unit (FCU) of the Compete Caribbean Partnership Facility based in Barbados.
- 4.2 Project output indicators will be monitored following the Monitoring and Evaluation (M&E) framework of the Compete Caribbean Partnership Facility.
- 4.3 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 Section 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). With the approval of the Compete Caribbean Partnership Facility (CCPF), the Board of Executive Directors also approved an exception to Bank's "Policies for the selection and contracting of consultants financed by the IDB" (GN- 2350-9) and "Policies for the procurement of works and goods financed by the IDB" (GN-2349-9) related to eligibility, so goods and service providers from non-IDB member countries could participate in the procurement processes for activities financed entirely with resources of the CCPF, provided that the country of origin or nationality of such providers is recognized by the donors as eligible. The team is processing a request for an extension of this exception to the service of consulting firms contracted under the terms of GN-2765-1. Such exception will apply as of the date of its approval by the Board of Executive Directors. Appendices 11 & 12 link to the respective procurement policies of the donors, showing the countries eligible for procurement.

#### V. Major issues

- 5.1 Major risks include the absence of organisations with a specific/clear mandate for providing support to clusters although some ad-hoc and unplanned cluster development activities may exist. Mitigation strategy will entail each member country assigning as a requirement, a senior public servant with an understanding of the private sector development priorities and ability to mobilise key stakeholders. He/she will work closely with the IADB country office and consultant(s) to ensure the successful completion of the project.

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<sup>3</sup> This project will not be financing specific interventions in OECS countries. The proposed financing is directed toward activities that will provide common benefits to all the Compete Caribbean Partnership Facility countries, including both IDB members and non-members, in such a way that there is little or no marginal cost attributable to the participation of IDB non-members. That portion of the proposed financing that could potentially be said to be directed exclusively to non-IDB member countries would represent a de minimis amount of the total financing

- 5.2 There may also be a limited understanding of systematic, gender responsive, socially inclusive and climate resilient approaches to and the benefits of cluster development; and or limited access to information given human resource and institutional capacity limitations particularly in the smaller member countries. Three activities to mitigate these risks will be undertaken: (1) Each targeted country will be visited by the CC team in the months after the approval of this technical cooperation. These visits will be organized in coordination with the IDB COFs and partnering organisations such as the Caribbean Development Bank and the OECS commission. (2) An online video conference/call will be organized to explain the project, purpose, application form, and answer any questions that may arise from any interested organisations. (3) The instructional tools described in Component 3 will integrate in simple language some of the best practices that address the related weaknesses of human and technical capacity in these countries. The videos and other tools will be disseminated to the organisations assessed regardless of their selection for the implementation of the capacity enhancement plan.

## **VI. Environmental and Social Strategy**

- 6.1 Given the nature of the program, there are no associated environmental or social risks. Based on the Environment and Safeguards Compliance Policy (OP-703) this operation is classified as “C” (See [Safeguard Policy Filter Report](#) and the [Screening Form](#) ).

### **Required Annexes:**

- Annex I: [Result Matrix - RG-T3021](#)
- Annex II: [Terms of Reference - Assessment Firm](#)
- Annex III: [Procurement Plan - RG-T3021](#)
- Annex IV: [Terms of Reference - Instructional Tools](#)

COMPETE CARIBBEAN: ASSESSING THE CAPACITY TO BUILD CLUSTERS IN SMALL AND VULNERABLE COUNTRIES

RG-T3021

CERTIFICATION

I hereby certify that this operation was approved for financing under the **Compete Caribbean Partnership Facility (CCP)** through a communication dated May 4, 2017 and signed by Goro Mutsuura (ORP/GCM). Also, I certify that resources from said fund are available for up to **US\$367,500** in order to finance the activities described and budgeted in this document. This certification reserves resource for the referenced project for a period of four (4) calendar months counted from the date of eligibility from the funding source. If the project is not approved by the IDB within that period, the reserve of resources will be cancelled, except in the case a new certification is granted. The commitment and disbursement of these resources shall be made only by the Bank in US dollars. The same currency shall be used to stipulate the remuneration and payments to consultants, except in the case of local consultants working in their own borrowing member country who shall have their remuneration defined and paid in the currency of such country. No resources of the Fund shall be made available to cover amounts greater than the amount certified herein above for the implementation of this operation. Amounts greater than the certified amount may arise from commitments on contracts denominated in a currency other than the Fund currency, resulting in currency exchange rate differences, represent a risk that will not be absorbed by the Fund.

CERTIFIED BY:	<u>Original Signed</u>	<u>06/23/2017</u>
	Sonia M. Rivera	Date
	Division Chief	
	Grants and Co-Financing Management Unit	
	ORP/GCM	

APPROVED BY:	<u>Original Signed</u>	<u>06/27/2017</u>
	Claudia Stevenson	Date
	Jefe Interina de División	
	División de Competitividad e Innovación	
	IFD/CTI	