*[Suggested structure]*  *Selection process #::::::::*

# **TERMS OF REFERENCE**

***Cluster Capacity Building in Small and Vulnerable Countries***

Regional

*RG-T3021*

*GN-2851*

*[Web link to approved document]*

*Compete Caribbean Partnership Facility*

1. **Background and Justification**
   1. Established in 1959, the Inter-American Development Bank (“IDB” or “Bank”) is the main source of financing for economic, social and institutional development in Latin America and the Caribbean. It provides loans, grants, guarantees, policy advice and technical assistance to the public and private sectors of its borrowing countries.

The economies of the Caribbean are small with declining growth rates over the past decade. The region is also highly indebted. Constrained by this debt overhang, the region’s level of investment/GDP is currently merely half of that of the rest of the world. The Caribbean’s fiscal context underscores the importance of export-oriented private sector development as an engine of growth for the region. Therefore, efforts must be made to foster productivity, innovation and improve the overall business climate for the private sector to thrive.

The region’s ability to harness private sector development as an engine of growth is constrained by the characteristics of most firms -- Caribbean firms tend to be micro or small in size, concentrated in the services sector, mature in age, work in silos and non-exporters. Moreover, Caribbean firms tend to scale less than in other countries and remain stagnant over time, while non-Caribbean firms typically grow by more than 100% during the same time horizon. Finally, investments in innovation is lower than in the Rest Of Small Economies (ROSE) of the world3. In this context, the Inter-American Development Bank (IDB), the UK’s Department for International Development (DFID), The Caribbean Development Bank (CDB) and the Government of Canada have combined resources to create the Compete Caribbean (CC) Program (<http://competecaribbean.org/>). This +$30Million program aimed at fostering innovation in firms, strengthening industry clusters, and driving public sector reforms. The objective was to support firms and clusters to become competitive, innovate and enter new sectors and markets in a business climate that drives inclusive and sustainable economic growth.

Over the five-year duration of the program, CC mobilized 44 private sector development plans and 77 national competitiveness action plans or regulatory reforms, which generated over 12,000 jobs in the region. Given the outstanding success, a second phase has been established called “Compete Caribbean Partnership Facility” (CCPF) [RG-X1246] and it builds on two similar pillars:

Pillar 1 - Foster productivity and innovation in the private sector through capacity building of business support organizations (BSOs) and direct support to firms, clusters and value chains.

Pillar 2 - Enhance the business and innovation climate through technical assistance for regulatory and policy reforms.

More specifically, the CCPF’s objectives are to:

1. Increase Total Factor Productivity4 (TFP) in firms;
2. Increase employment, particularly for women and vulnerable groups;
3. Generate and sustain exports within and outside the region;
4. Foster sustainable and inclusive economic growth.
   1. The support to cluster initiatives under Pillar 1 created over 5595 jobs (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 or driven by a national/local institution; (2) Facilitation and project management skills are essential to ensure effective cooperation, progress and monitoring & evaluation. Unfortunately, in some Caribbean islands, CC1 found that such capacity was lacking, which explains the poor quality of responses from clusters 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. For the second phase of CC (CC2), it became evident that a capacity building effort of local institutions was necessary if industry clusters were to be used as driver of economic growth in small and vulnerable countries.
5. **Objectives**

* 1. The objectives of this contractual assignment are:
* To develop and share findings of a regional Cluster Capacity Assessment and Enhancement Plans for 10-12 countries in Compete Caribbean Beneficiary countries. The capacity enhancement plans will layout the process and interventions required of institutions responsible for cluster development and management, for them to adapt and implement strategies reflective of best practice. The aim is to strengthen institutions and human capacity for cluster planning, facilitation, management and coordination in country so that competitive business is developed.

1. **Consultancy Specifications**

3.1 This consultancy will require the services of an international consulting firm with extensive experience in Clustering and in conducting cluster and institutional assessment studies and in developing strategy for institutional strengthening to support cluster networks. It is essential that the consulting firm demonstrate experience working such studies in developing countries; particularly in the Caribbean and Latin America.

Financing

The cost of the consultancy will include the consultant’s remuneration as well as costs of all incidentals associated with the execution of the consultancy. The incidentals include, but are not limited to: surveys, tests, trips, travel allowances, international calls, local transportation, secretarial expenses, copying and office supplies and internet services.

Duration

The duration of the consultancy will be four (4) months.

Location

The consultancy shall be carried out in the firm’s home country and in the Compete Caribbean Facility beneficiary countries. (CARICOM; OECS)

1. **Key Activities**

**4.1** The selected firm will:

1. Conduct relevant analysis to determine the strengths and weaknesses of each organization specific to following four dimensions.

* Developing two cluster strategies
* Managing the growth of these strategies
* Sharing with stakeholders minimum social, environmental and women empowerment standards that foster inclusive and sustainable growth; and
* Monitoring and reporting progress and results.

***A fifth dimension may be added where relevant***.

1. Co-design and recommend capacity building activities along the five dimensions that would transform the organization into an effective Cluster Support Organization (CSO). The firm will also highlight the requirements for improvement such as:

* The allocation of specific human or financial resources from the organization’s leadership;
* Any changes to processes, staff and technology along with the estimated budget and timeline;
* Risks and barriers that may be encountered if selected, along with potential mitigation strategies;
* Policy or regulatory reform for cluster development.

1. Develop a scoring sheet with criteria to identify and select six (6) organisations with the potential to fill the gap in each dimension.
2. Prepare and disseminate a simple guidebook with images about the basics of why and how to engage in successful industry clusters. This guidebook should also be accompanied by a PowerPoint presentation that can be used for instructional purposes.
3. **Expected Outcome and Deliverables**
   1. *The contracted firm will be required to submit the following deliverables:*
4. **Work plan**

ii. **Feasibility assessments and capacity enhancement plans**:

iii. **Technical Assistance Selection Report**:

iv. **Instructional Tools**:

1. **Project Schedule and Milestones**
   1. **Work plan**: detailing timelines, team deployment, assessment framework and methodology. To be submitted no later than **seven (7) calendar days after signature of contract**.
   2. **Feasibility assessments and capacity enhancement plans:** for 10 – 12 institutions located across various CARICOM States. The national institutions will be identified upon signature of contract. To be submitted no later than **Week 8 of this consultancy.**
   3. **Technical Assistance Selection Report**: This will comprise of a confidential scoring sheet for each institution assessed. The sheets will be used to guide an internal selection process and will also serve as a mechanism to provide feedback. Deliverable due no later than **Week 8 of this consultancy.**
   4. **Instructional Tools**: This guide book document will be prepared in simple terms to educate various stakeholders about clustering. It will be easy to print and should be accompanied by a Power Point version (with the same content) to facilitate dissemination during future presentations. Deliverable due no later than **Week 12 of this consultancy**.

Every report must be submitted to the Bank in an electronic file. The report should include cover, main document, and all annexes. Zip files will not be accepted as final reports, due to Records Management Section regulations.

1. **Supervision and Reporting**
   1. The technical responsibilities for this consultancy will be coordinated by Sylvia Dohnert, Private Sector Development Lead Specialist (CTI/CBA), Executive Director of Compete Caribbean.
2. **Schedule of Payments**
   1. Payment terms will be based on project milestones or deliverables. The Bank does not expect to make advance payments under consulting contracts unless a significant amount of travel is required. The Bank wishes to receive the most competitive cost proposal for the services described herein.
   2. For the performance of duties outlined in this Terms of Reference, a fixed contract sum will be made to the Firm and will be paid in the following tranches:

* 20% paid upon the delivery, and the acceptance by the IDB, of the Work Plan.
* 40% paid upon the delivery, and acceptance by the IDB, of the Feasibility Assessments & Enhancement Plans.
* 10% paid upon the delivery, and the acceptance by the IDB, of the Technical Selection Report.
* 30% paid upon the delivery, and the acceptance by the IDB, of the Instructional Tools.

**10.3** The IDB Official Exchange Rate indicated in the RFP will be applied for necessary conversions of local currency payments.