

TC ABSTRACT

I. Basic Project Data

▪ Country/Region:	REGIONAL/IDB
▪ 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; KELLY CASTILLO, EMILY LETICIA (IFD/CTI); BERTRAND, ANNIE (IFD/CTI); LINDSAY, COURTNEY OLIVER (IFD/CTI); COX, SHAMEKA TAMEISHA (IFD/CTI); GRANT, KAYLA SHAREE (IFD/CTI); FRANKLYN, RUSSELL LEVON (IFD/CTI)
▪ Taxonomy:	Client Support
▪ Number and name of operation supported by the TC:	N/A
▪ Date of TC Abstract:	13 Jun 2019
▪ Beneficiary:	Belize, Dominica, Grenada, Guyana, Jamaica, St Lucia, St Vicent and the Grenadines
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK
▪ IDB funding requested:	\$ 1,250,000.00
▪ Local counterpart funding:	\$ 150,000.00 (In Kind)
▪ Disbursement period:	30 months
▪ Types of consultants:	Individuals; Firms
▪ Prepared by Unit:	Competitiveness, Technology and Innovation Division
▪ Unit of Disbursement Responsibility:	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. Objective and Justification

- 2.1 The objective of this TC is to enhance the capacity of Business Support Organisations (BSOs) in small and vulnerable Caribbean countries to function as effective Cluster Support Organisations (CSOs), by enabling them to apply the cluster methodology learnt over the past several months. This TC uses an experiential learning approach to further embed (ie. institutionalize) international best practices in cluster development in Belize, Dominica, Grenada, Guyana, Jamaica, St Lucia and St Vicent and the Grenadines. This objective is directly in line with the overall focus of the second phase of the Compete Caribbean program (CC2) . The program aims to ensure lasting change beyond its direct activities by piloting and transferring best-practices in private sector development to national entities.
- 2.2 To institutionalize the capacity to support clusters and improve the pipeline of high-impact projects, CCPF uses a 3-step approach, which is consistent with its theory of change for Instrument 1 (Support to Clusters and Value Chains). The first step (RG-T3021) required diagnosing weaknesses and areas for improvement among the private and public sector stakeholders who could be involved in promoting economic clusters, along with collection of information about the local context, including opportunities and constraints on the ground. Under RG-T3021, CC2 issued a call for expression of interest to stimulate interest in clustering as an instrument for economic development. Nine (9) BSOs in eight countries were then competitively selected to

take part in a capacity-gap assessment and co-design of a Capacity Enhancement Plan (CEP).

- 2.3 Based on these plans, eight (8) BSOs moved to the second step (RG-T3330), focused on knowledge transfer, to learn about cluster methodology from world-class experts during an intensive training period of six (6) months. As the focal point on the ground, each BSO mobilized relevant private and public stakeholders across government agencies to apply the cluster methodology in the design of Cluster Development Plans (CDPs). Over 100 individuals will receive a certificate from the European Foundation for Cluster Excellence after completing the training which involved hands-on learning and handholding support during the preparation of two (2) CDPs. The first set of 8 CDPs will be completed by July 1st and submitted to the Investment Panel for an independent evaluation. If deemed suitable for funding as evidenced by the final score of the judges after a thorough evaluation and pitch session, these projects will be implemented thereby enabling the local institutions in these countries to learn from the practical experience of supporting a real-life cluster.
- 2.4 The implementation of these cluster projects (maximum six given CC2's available budget) supported by this TC represents the third and final step of the capacity building effort in these small and vulnerable countries. By involving the BSOs in coordinating the stakeholders throughout the selected projects' implementation, the BSOs will learn the challenges related to executing and managing change in clusters, while Compete Caribbean will monitor and evaluate results. Lessons learnt will also be captured to deepen and share the learning across Caribbean countries. The TC activities would also lead to improved access to markets (regionally and internationally), and to higher firm productivity, thereby increasing the contribution of the treated firms to economic growth in the Caribbean.
- 2.5 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 productivity and innovation and specifically 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. 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 and Outputs

- 3.1 This technical cooperation aims to support (i) the implementation of Cluster Development Plans and (ii) facilitate knowledge exchange, change management and monitoring & evaluation.
- 3.2 **Component I: Implementation of Cluster Development Plans (CDPs).** . The objective of this Component is to provide the BSOs with practical experience of implementing a CDP and managing a cluster project. Under this Component, technical assistance will be provided to accomplish the results and follow through on the implementation plan described in the selected CDPs.
- 3.3 **Component II: Knowledge Exchange, Change Management and Monitoring & Evaluation.** . The objective of this component is to ensure the effectiveness of the experiential learning approach, by providing the newly formed CSOs with an avenue for reflection, peer-peer learning, coaching and conceptualization of improved techniques for cluster facilitation. This will continue to transfer a common methodology for cluster development to BSOs in the region and strengthen their capacity to execute such initiatives.

IV. Budget

Indicative Budget

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
Implementation of Cluster Development Plans (CDPs).	\$ 1,200,000.00	\$ 150,000.00	\$ 1,350,000.00
Knowledge Exchange, Change Management and Monitoring & Evaluation.	\$ 50,000.00	\$ 0.00	\$ 50,000.00

V. Executing Agency and Execution Structure

- 5.1 The execution of this TC will be carried out by the Bank through the Competitiveness and Innovation Division (IFD/CTI) in coordination with the Compete Caribbean Partnership Facility (CCPF) Coordination Unit established in COF Barbados. Project output indicators will be monitored following the Monitoring and Evaluation (M&E) framework of the CCPF. 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).
- 5.2 The Compete Caribbean's Facility Coordination Unit, approved under GN-2851, was jointly designed with donors to be a Bank Executed Program, has great experience on successful implementation of cluster projects in the Caribbean. The Bank has demonstrated its ability to coordinate and motivate action across diverse stakeholders at both the national and regional levels.

VI. Project Risks and Issues

- 6.1 The most significant risks to achieving the planned objective are: (i) at times in project execution where work effort is more intense such as during start-up, the additional workload could place strain on the few BSOs with a small staff complement; and (ii) inadequate level of collaboration across and among private and public stakeholders.
- 6.2 These risks have been analysed 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 scope for such BSOs to hire additional resources to address staffing constraints. During project start-ups emphasis will be placed on mobilizing public and private stakeholders, communicating project goals, and highlighting their roles in successful implementation. Regular monitoring and progress reporting to stakeholders by the BSOs will keep them engaged throughout implementation. Such frequent communication and sharing of information will help to increase trust across stakeholders to work collaboratively.

VII. Environmental and Social Classification

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