



CALL FOR CLUSTER PROPOSALS, June 2019
Frequently Asked Questions (FAQs)

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FAQs specific to Compete Caribbean’s call for tourism clusters (2019-2020)

1. Who can participate?

Entities legally registered in one of Compete Caribbean’s 13 beneficiary countries: Bahamas, Barbados, Belize, Guyana, Jamaica, Suriname, Trinidad and Tobago, Antigua and Barbuda, Dominica, Grenada, St. Lucia, St. Kitts and Nevis, and St. Vincent and the Grenadines.

Entities seeking to implement a cluster initiative can include private sector firms, business support organisations (BSOs), industry associations, tour operators, traveling agencies, farm owners, trade and investment authorities; regional association organisations; small business development centers; Non-governmental organisations (NGO), universities, etc.

2. Will Compete Caribbean fund the complete budget if my cluster is selected?

The Compete Caribbean Partnership Facility (CCPF) will finance a maximum of 80% of total project budget, up to a maximum of USD\$400,000. Cluster members are responsible for the remaining amount - their contribution must be at least 20% of the total budget, half of which in cash and the other half in kind.

- CCPF’s contribution can be used to cover the cost of consulting and other services such as research & development, training, marketing campaign, process reengineering, etc. The terms of reference for these professional services are defined during the preparation of the cluster development plan (CDP), and the consultants or consulting firm contracted and paid directly by CCPF.
- **IMPORTANT:** CCPF funds cannot be used to purchase goods or equipment unless they are required for the completion of a particular consultancy. In these rare cases, no more than 10% of the consultancy amount can be allocated to the purchase of goods or equipment.
- Each selected cluster can budget for a cluster project manager who shall be jointly selected and supervised by the cluster members and CCPF. Funding for the project manager will come out of CCPF’s contribution. He or she will be contracted by CCPF through the Inter-American Development Bank (IDB).

3. What is considered as counterpart contributions?

- For the counterpart contribution, the 10% cash requirement can represent the amount of funds that the cluster members invest in their own infrastructure improvements, purchase of equipment, technologies, plane tickets, green inputs (more environmentally friendly processes or materials), licenses, etc. in order to achieve the growth targets for the cluster initiative. The objective is to ensure that other stakeholders see the potential return of the cluster initiative. These expenses are paid directly by those contributing without interference by CCPF. However, the cluster project manager will be responsible for tracking these contributions for reporting purposes. An audit may be conducted at the discretion of the donors.
- The 10% in-kind contribution can be in the form of existing staff assigned to manage specific project activities, rent-free space provided in the accommodation owned by a cluster member for cluster member events, consultants use, etc. These estimates are tracked for reporting to donors and capturing lessons learnt.
- A partnership agreement signed by the core cluster stakeholders describing who contributes what will be required with the submission of the Cluster Development Plan (CDP) which will be obtained with the support of a professional consultant financed by Compete Caribbean.

Example of project budget and contributions	
Total estimated budget of cluster project	\$500,000
Maximum amount allocated by CCPF (80%)	\$400,000
Minimum amount allocated by cluster stakeholders in cash (10%)	\$50,000

Minimum contribution in-kind by cluster stakeholders (10%)	\$50,000
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4. What activities cannot be financed through the Tourism Cluster Grant

- Payment of companies' debts and taxes
- Operating expenses of existing companies
- See other requirements of IDB in Annex I below.

5. What is a Cluster Development Plan (CDP)?

The CDP is a comprehensive document prepared over a +3-month period in consultation with diverse stakeholders involving primary data collection and secondary research to analyse the tourism global value chain and strategic options/trade-offs involved. A data-driven approach is used to mobilize private firms and supporting organisations to develop a common vision for growth and reach consensus on specific goals and priorities to implement in a cluster initiative.

6. If I have questions related to my submission, who can I contact?

Note that only questions related to administrative issues will be answered. You can e-mail your questions to: competecaribbean@iadb.org before the final submission deadline. Please include in the subject line: **Call for Cluster Proposals Query**

7. Can I send the application in a language other than English?

The only language accepted for the Project Concept Note is English. However, the proof of registration and other legal documents requested (by-laws, audit report, etc.) may be submitted in Portuguese, French, English, Dutch or Spanish.

8. How do I submit my application?

The application must be completed and submitted online. Please visit www.competecaribbean.org for more information.

9. What documents must be included in my application?

The following documents must be uploaded:

- a) **2-page project concept note** (using mandatory template provided*)
- b) **Tourism Asset Inventory** (for relevant businesses involved in the project*)
- c) Results from an **assessment of the current situation**: (Use diagnostic tool* in the case of community-based tourism; or a Strength, Weaknesses, Opportunities, Threats (SWOT) analysis in the case of a sustainable food chain initiative for tourism).
- d) A **letter of commitment** from the entity(ies) responsible for obtaining the 20% counterpart contributions, half of which must be provided in cash (use template provided*).

Optional documents to upload may include:

- The link to a short video illustrating the activities of your cluster.
- A PowerPoint presentation with photos to facilitate understanding

10. Do I need to attach the results of the diagnostic with my application?

Your submission will be reviewed if there is evidence that an assessment of the current situation was made to identify strengths, weaknesses, opportunities and threats (SWOT). The diagnostic tool¹ suggests a list of questions that can be discussed with community members to get a better understanding of the challenges and opportunities, and it can be modified to suit. That being said, an exhaustive diagnostic is not expected at this stage. The purpose of this rapid assessment is to:

- Facilitate the identification of priorities in the Project Concept Note (PCN). For example, if there is no governance system in place to ensure proper representation of local stakeholders and facilitate CBT planning, this would likely be something that the project would try to address.
- Provide background information to better understanding or estimate the potential impact of the cluster initiative.
- Demonstrate some level of interest from stakeholders.

11. Do I need to use the diagnostic tool provided in the case of agro-tourism projects?

In the case of agri- or agro-tourism, the diagnostic tool provided may not be relevant. A SWOT analysis based on an assessment of the situation is still required to achieve the objectives above.

12. Do I need to attach the tourism asset inventory with my application?

Yes - even if incomplete. No applications will be reviewed without a tourism asset inventory with the most relevant businesses listed. The details for each business are not necessary at this stage but it is important to provide at least some data about what is currently available in the community, the level of business activities, number and type of people affected, etc. The asset inventory template provides 171 ideas of what can be used / improved in a community to generate more revenues from visitors. Not all ideas are relevant for all projects but if there are no business activities already happening at the community level, this project has very limited chances of being selected. The purpose of this cluster initiative is to identify and support projects with high growth potential in terms of employment and revenues. Although there is strong emphasis on ensuring that women and vulnerable groups are engaged and directly benefiting, evidence must be provided that the business operations are advanced enough to absorb an increase in visitor demand.

13. What is the minimum information required from the documents: Tourism Asset Inventory and Diagnostic?

Please provide the best estimates. We just need you to provide some idea of the potential impact and current level of commitment from cluster members to the project.

14. Can other organizations support my counterpart financing requirements?

Yes. Applicant organizations can demonstrate resources from a variety of sources including both national and international government agencies, NGOs, foundations and bilateral and multilateral entities.

15. When will I know the outcome of my application?

Applicants in the short-list will be notified within one month of closing of deadline for application submission.

¹ The diagnostic tool is part of the Community-Based Tourism (CBT) toolkit and available for download on www.competecaribbean.org and www.onecaribbean.org

16. What are the selection criteria?

Cluster projects will be evaluated according to the following criteria:

- **Job creation** (25%) in the short and long term – the extent to which the cluster project will create new jobs, including for women and other vulnerable or marginalised groups.
- **Revenue generation** (25%) especially for businesses or farms in remote areas – the extent to which the cluster project will affect the revenues of stakeholders in underprivileged or remote areas.
- **Increased foreign exchange** (25%) the extent to which this project will generate additional spending from foreign visitors (new or current).
- **Catalytic and sustainable impact** (25%) – the extent to which the project will affect inclusive and sustainable economic growth over time, as well as impact on climate change.

17. Will I receive feedback on the content of my proposal after the selection process is complete?

After proposals are selected, CCPF will not provide individual feedback or comments on unselected proposals.

18. If my organization received funding from the IDB or Compete Caribbean in the past, can I still apply?

Yes, however Compete Caribbean does not finance continuation projects. The current proposal must be totally new, with different objectives, and new counterpart resources. Also, to apply for funding again, the applicant must demonstrate in separate document that the prior project brought about positive results.

19. What type of activities are typically funded through clustering initiatives?

- Organization and/or institutionalization of clusters, including:
 - Cluster manager for two years
 - Collecting and coordinating data
 - the procurement and payment of fees for the hiring a cluster manager or key consultancies
- Specialized consultancies, advising services and studies. Technical assistance and training in areas such as:
 - Process and product development
 - Improvement of quality and design of products and services
 - Improvement in commercial, financial, environmental and strategic management
- Assessment and implementation of quality systems
- Access to markets and market intelligence, including attending international fairs and participation in international missions
- Attending fairs, expos, workshops and fora
- Legal expenses associated with the project
- Shipping and importing of samples
- Acquisition of books and specialized journals
- Research and generation of knowledge

Given the results from the [market research](#) that Compete Caribbean commissioned in 2019², the following activities may be most strategic for supporting the growth of community or agro tourism clusters:

- Product/tours development: community-based experiences, food & beverage tours, festivals, culinary experiences, authentic cuisine, health & wellness, ecolodge, volunteer tourism, wildlife, heritage, etc.
- Local sourcing: Hotels & restaurants coordinate with local farmers/suppliers/artists to increase consistency/quality/variety of supplies needed (eg: ordering process, logistics, payment, credit)
- Organic production/ certification for premium tourism products: traceability, farm-to-table, fair or natural production, etc.
- Digital integration/transformation: online booking/payment, mobile wallet technologies, artificial intelligence, virtual/augmented reality, crowdfunding, data analysis, etc.
- Licensing and certification: Business registration, food handling certificate, insurance, etc.
- Market research and marketing: online advertising, social media, farm tours, market fair, etc.

According to recent consumer research, American tourists have a higher willingness-to-pay for food experiences that are: a) locally sourced; b) organic; c) authentic; and d) a mixture of the above.

²Use the following link to access research: <https://competecaribbean.org/wp-content/uploads/2019/11/Consumer-Research.pdf>

General information about clustering

20. What is a cluster?

A cluster is a geographic concentration of interconnected companies, suppliers, service providers and associated institutions (e.g. universities, standards agencies, trade associations) in a particular industry or field that compete but also cooperate to increase global market share.

For the purposes of this call, the clusters under consideration comprise of at least three entities, of which two (2) must be private firms, collaborating to increase competitiveness on the regional or international market, with some support from other business, educational, research or government agencies.

21. Why is clustering potentially powerful in terms of global competitiveness?

- Reduction in transaction costs
- Development of networks that share supply chains, inputs, and infrastructure
- Diffusion of new knowledge, from research centres to firms and between firms
- Increased likelihood of face-to-face interactions helps to build trust
- Large pool of relevant skills
- Enhanced visibility and influence

22. What are some of the direct benefits of clustering?

For the private sector	For the government
<ul style="list-style-type: none"> • Joint marketing to increase global market share • Training – co-investment in human capital • Advocacy with government and partners • Research and product development • Value chain improvement • Higher inflows of investment and skilled labour • 	<ul style="list-style-type: none"> • Collaboration multiplies spill over in the community • Increased protection of natural assets • The combination of cooperation and competition fosters innovation over time • Firms that are part of a cluster are more competitive than those that are not • Higher productivity and higher wages • More successful start-ups, higher levels of entrepreneurship • Attracts Foreign Direct Investment (FDI) • Higher exports, and economic growth • Increase in employment, particularly in high value jobs

23. How to create a cluster?

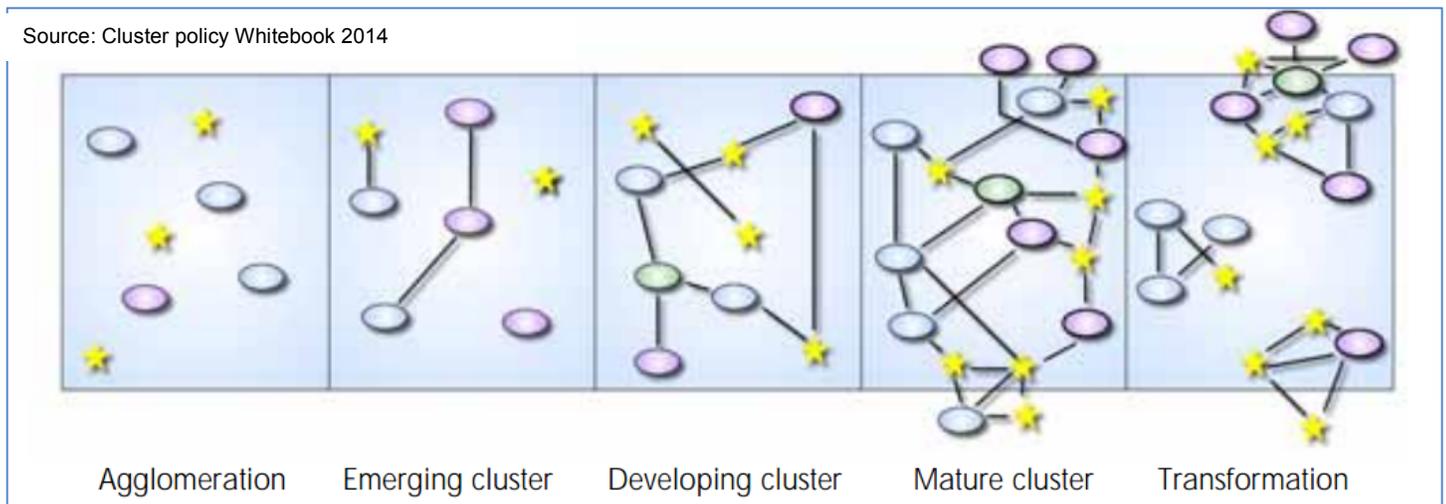
It is very difficult to create a cluster if there are no firms already operating successfully. With very few exceptions, clusters occur naturally. The companies emerge and operate in proximity of each other (+/- 50km²) because they are triggered by:

1. Proximity to a natural resource or raw material
2. Proximity to knowledge centres
3. A specific local demand
4. An external shock or adversity
5. Ethnic concentrations

6. Cultural traditions or local history
7. Public sector anchors
8. Emerging from an existing cluster
9. Chance

While clusters start naturally, the development of clusters should evolve strategically. Clusters develop over a long period of time - they are not an overnight phenomenon. Full development takes years, often decades. Cluster initiatives may last 2-5 years to facilitate an important transition and exponential growth.

Source: Cluster policy Whitebook 2014



24. What is a cluster initiative?

A cluster initiative is an organised effort to increase the growth and competitiveness of a group of firms within a region, potentially also involving government and/or the research community.

According to the World Bank, “A cluster initiative offers a comprehensive assessment of a cluster’s markets, products, linkages, externalities, and synergies to help identify regulatory and business constraints, tap new and wider market opportunities, and develop sound business strategies to tackle its main competitors. Strategic initiatives vary by country and cluster, but often focus on improving market information, workforce development, supply chain improvements, quality standards, branding, forward integration, and process improvements.”

Cluster development is about solving coordination problems among small and big firms, supporting institutions and government policies. It builds on existing fundamental strengths in the region/country.

25. What are some key success factors of cluster initiatives?

- Stakeholders must reach consensus on the long-term vision and top priorities for the cluster to grow. Because diverse stakeholders have different opinions and interests, collecting and analysing data about the context and strategic options is critical.
- Therefore, sufficient efforts and time must be allocated to building a framework of shared ideas about why the cluster initiative is beneficial and how it operates.

- Failure is strongly related to a lack of consensus and communication, highlighting the importance of the credibility and skills of the facilitator and eventually cluster project manager.
- The cluster facilitator is the glue – s/he may not come from the sector but is highly skilled to listen effectively, command respect and inspire trust.
- Cluster initiatives must have a monitoring and evaluation (M&E) system with performance indicators to track both progress and impact of activities over time. It must also demonstrate a clear Theory of Change.

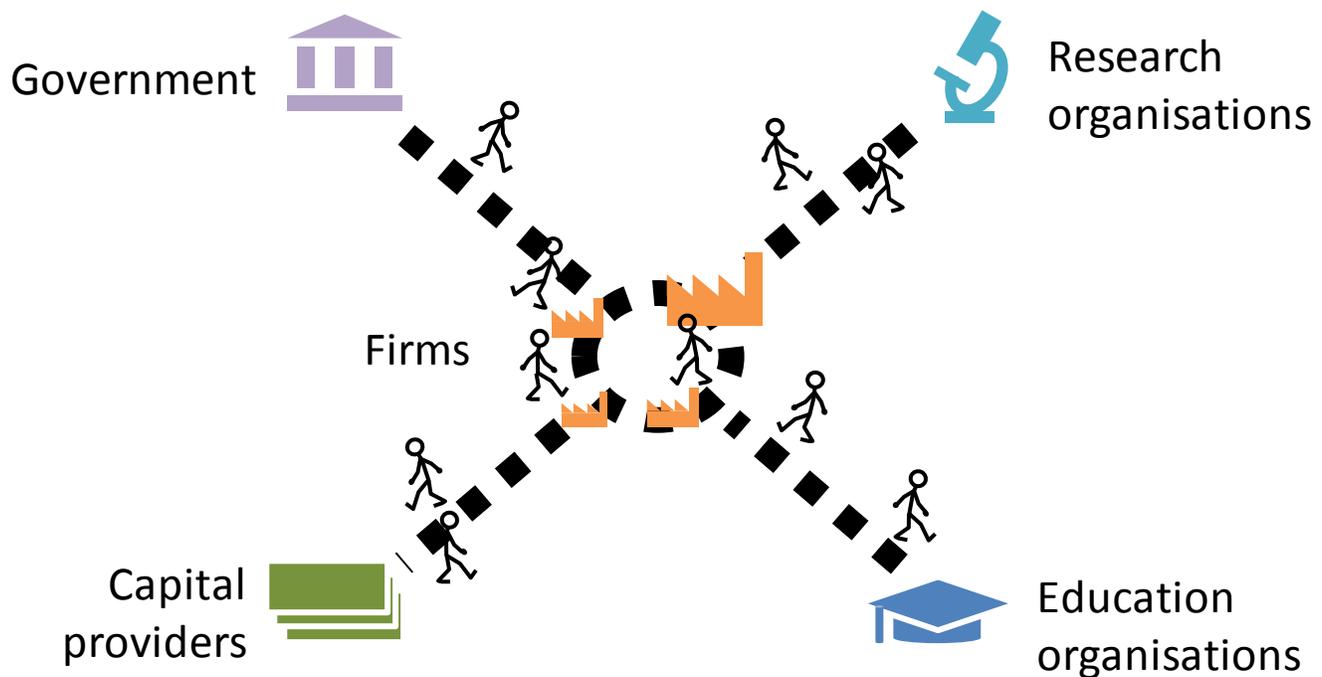
26. What is the difference between a Cluster Facilitator and a Cluster Project Manager?

- Cluster Facilitator – The Cluster Facilitator will conduct on-the-ground research and data-collection and put together a cluster development plan (CDP).
- Cluster Project Manager – The Cluster Project Manager will work with members of the cluster to implement the CDP.

27. What are some lessons learnt from The Cluster Initiative Greenbook which surveyed 500 clusters worldwide?

- The projects are initiated and funded by government, industry or both
- The cluster initiatives selected through a competitive process perform significantly better
- Successful projects have 10 active members or more
- Members are self-selected (not picked by government)
- Cluster initiatives limited to domestic companies tend to perform worse
- Have a dedicated facilitator and a budget funded by cluster members
- Companies remain the decision makers and most influential parties, even if the cluster initiative is funded or facilitated by the government, non-government organisations or development agencies
- The most successful clusters are important in terms of job creation or foreign exchange and become a priority for economic development at the national (and almost always regional) level.

28. Who are the cluster stakeholders?



29. What are supportive public policies?

- *Policies to engage actors*: Activities designed to build trust, financial incentives for networking organizations, and sponsorship of networking activities.
- *Providing collective services and business linkages*: Activities oriented to improve production capacity based on the scale and skills of suppliers, fostering the formation of external linkages and supporting cluster firms' inclusion in GVCs, and supporting SMEs to adopt international standards of production and to training human capital.
- *Collaborative R&D and commercialization*: Oriented to programs that increase industry– university links, commercialize the results of such collaborative research, and ensure financial support for spin-off firms.

30. What are the types of clusters?

- *Horizontal Business Alliance* - at least 3 companies in a collaborative relationship coming together to develop a project to face common challenges or to improve productivity and competitiveness
- *Vertical Business Alliance* - An alliance between a lead business and its providers to develop a project that contributes to improve productivity and competitiveness of the value chain
- *Conglomerate-type Business Alliance* - Businesses or groups of businesses forming alliances with other public or private actors in a given geographic territory to develop a project or program that contributes to promoting and integrating productive activities in that area, as well as increasing competitiveness.

Annex I

NOTICE AS TO DISCLAIMERS AND RESERVATION OF RIGHTS

- The IDB reserves the right to eliminate participants at any part of the process and this decision shall be final and binding.
- The IDB may decide to not select an applicant if the submissions did not meet the requirements or did not have sufficient quality.
- The IDB may search for publicly available information regarding participants, and may seek to verify details referenced in the application.
- The IDB reserves the right to cancel the competition at any time.
- All decisions of the IDB are final and binding, with no process for appeal.
- Participants that submit content that is offensive, illegal, etc. and those that disparage the Bank or other sponsors will be eliminated.
- IDB will not consider participants who are ineligible to participate in Bank projects or contracting under its sanctions protocol.
- Participants must attest that the submittal is original and that they are not infringing on any copyrights or other intellectual property. Any such infringement may result in disqualification.
- The IDB will not be responsible to maintain the intellectual property of the proposals submitted.
- Winning participants whose projects are approved, in order to receive IDB funding, must sign an agreement with the IDB which includes relevant commitments, representations, and grants of indemnity by the project company.
- IDB reserves the right to disseminate and share the identity of the applicants and any other information deemed relevant.
- These terms and conditions may be updated at any time and will be made available to all participants online.

ACTIVITIES NOT ELIGIBLE FOR FUNDING

The CCPF does not grant funding for projects or companies involved in the production, trade or use of products, substances or activities set forth in the list below.

1. Those that are illegal according to the laws and regulations of the host country, or pursuant to international conventions and treaties ratified by this.
2. Weapons and ammunition.
3. Tobaccoⁱ
4. Gambling, casinos and equivalent companiesⁱⁱ
5. Animals and wild plants or products derived from them are regulated in accordance with the convention on international trade in endangered species of wild flora and fauna (cites)ⁱⁱⁱ
6. Radioactive materials^{iv}
7. Not caked asbestos fibres^v
8. Projects or forestry operations that are not consistent with the environmental policy and observance of safeguards of the bank (document gn-2208-20)
9. Compounds of bifenilopoliclorado (pcbs)
10. Pharmaceuticals products subject to phase-out or international ban^{vi}
11. Pesticides and herbicides subject to phase-out or international ban^{vii}

12. Ozone-depleting substances subject to phasing out international^{viii}
13. Fishing in the maritime environment with drag nets exceeding 2.5 km in length.
14. Transboundary movements of waste and waste products^{ix} except non-toxic waste intended for recycling.
15. Persistent organic pollutants^x
16. Breach of the fundamental principles of workers and rights at work^{xi}

ⁱ Does not apply to sponsors (*sponsors*) are not substantially involved in these activities. "Not substantially involved" means that the activity is ancillary to the main activities of the sponsor's operations.

ⁱⁱ Not apply to sponsors (*sponsors*) are not substantially involved in these activities. "Not substantially involved" means that the activity is ancillary to the main activities of the sponsor of operations.

ⁱⁱⁱ See <http://www.cites.org>

^{iv} Does not apply to the purchase of medical equipment, quality control equipment (metering) and other equipment that can prove that the radioactive source is insignificant and/or is properly covered.

^v Does not apply to the purchase and use of sheets of cement asbestos caked in which the asbestos content < 20%.

^{vi} Pharmaceutical products subject to phasing out or banning in United Nations, *Banned Products: Consolidated List of Products Whose Consumption and/or Sale Have Been Banned, Withdrawn, Severely Restricted or not Approved by Governments* (latest version 2008).

http://www.who.int/medicines/areas/quality_safety/safety_efficacy/who_emp_qsm2008_3.pdf .

^{vii} Pesticides and herbicides subject to phase-out or international ban

^{viii} Ozone-depleting substances are chemicals that react with stratospheric ozone and deplete it, giving as a result the widely spread "ozone holes". The Montreal Protocol lists these substances and their planned reduction and phase-out dates. The chemicals regulated by the referred Protocol include aerosols, refrigerants, fire extinguishing blowers for foams, solvents and agents.

http://ozone.unep.org/Publications/6ii_publications%20handbooks.shtml).

The fundamental principles and rights at work means: i) freedom of Association and the effective recognition of the right to collective bargaining; (ii) the prohibition of all forms of forced or compulsory labour; (iii) the prohibition of child labour, including, without limitation, which it the prohibition that persons under 18 years of age working in hazardous conditions (including construction), performing night work and are declared suitable to work on the basis of a medical examination; and (iv) the Elimination of discrimination in respect of employment and occupation, in which discrimination is defined as any difference, exclusion or preference based on race, color, sex, religion, political opinion or national or social origin. (Organization International Labour, <http://www.ilo.org>).

^{ix} Defined by the Basel Convention (<http://www.basel.int>).

^x Defined by the International Convention on reduction and elimination of polluting organic persistent (September 1999) that currently includes the pesticides aldrin, chlordane, dieldrin, endrin, heptachlor, mirex and toxaphene, as well as the chemical chlorobenzenes for industrial use (<http://chm.pops.int/>).

^{xi} (Principles and fundamental rights at work means: i) the freedom of Association and the effective recognition of the right to collective bargaining; (ii) the prohibition of all forms of forced or compulsory labour; (iii) the prohibition of child labour, including, without limitation, the prohibition of persons under 18 years of age work in hazardous conditions (including construction), performing night work, are declared fit for work on the basis of a medical examination; and (iv) the Elimination of discrimination in respect of employment and occupation, in which discrimination is defined as any difference, exclusion or preference based on race, color, sex, religion, political opinion or national or social origin. (Organization International Labour, <http://www.ilo.org>).