



Donors Committee

Short Procedure

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Public Document

To: The MIF Representatives

From: The Secretary

Subject: Barbados. Nonreimbursable technical-cooperation funding for the project “Linking MSEs to Anchor Companies in the Barbados Hotel Value Chain”

Basic Information: Executing agency Barbados Hotel and Tourism Association (BHTA)
Amount up to US\$416,621
or its equivalent in other convertible currencies
Source Multilateral Investment Fund

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Remarks: The Representatives are requested to inform the Secretary, in writing, no later than **13 November 2014** if they wish to interrupt this procedure. If no such communication is received by that date, the attached resolution will be considered adopted by the Donors Committee, and a record to that effect will be made in the minutes of a forthcoming meeting.

**DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK
MULTILATERAL INVESTMENT FUND**

BARBADOS

LINKING MSEs TO ANCHOR COMPANIES IN THE BARBADOS HOTEL VALUE CHAIN

(BA-M1012)

DONORS MEMORANDUM

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Under the Access to Information Policy, this document is subject to Public Disclosure.

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PROJECT SUMMARY

LINKING MSEs TO ANCHOR COMPANIES IN THE BARBADOS HOTEL VALUE CHAIN

(BA-M1012)

The project seeks to integrate local Micro and Small Enterprises (MSEs) into the supply chains of key anchor companies (hotels and restaurants) operating in Barbados' dominant tourism sector. The central problem to be addressed by this project is the limited integration of local MSEs in the supply chains of hotels and restaurants that anchor the tourism sector due to high transaction costs. Most MSEs are currently constrained to doing business exclusively in the small domestic consumer market, which limits their profitability, growth prospects and job creation.

The project seeks to address these challenges by piloting and scaling an innovative model, using an independent MSE Consolidator, an intermediary who is in charge of linking the MSE sector to anchor firms in the tourism sector. The MSE Consolidator will match demand for local inputs from anchor firms with pockets of supply from MSEs, will support negotiations and agreement on quality standards and delivery timeframes, and will facilitate ongoing communications between buyers and MSEs. Importantly, the MSE Consolidator will help to build trust between the MSEs and anchor firms, and the consolidator model will demonstrate to buyers in the tourism sector how high transaction costs associated with local sourcing can be reduced over time.

The project will be implemented in two phases. In Phase 1, the MSE Consolidator will lead a pilot involving 75 MSEs supplying 10-15 local products that are in constant demand to an initial group of 15 hotels and restaurants. Key activities in Phase 1 include: i) collection of baseline data on local supply and demand conditions and sales volumes; ii) design of a monitoring system to track changes; iii) development of a quality assurance scheme; iv) design and implementation of a transparent framework to govern business transactions and an ICT platform for matching demand and supply; and v) technical and business support for local MSEs. The project will also develop a simple and appropriately sized financial mechanism for MSEs to facilitate cash and working capital management and will assess the feasibility and required investment for a centralized facility to increase efficiency of logistics for the consolidation, packing and delivery of goods sourced from MSEs. Additional activities will include business networking between MSEs and anchor firms as well as marketing and outreach to local MSEs and potential buyers/anchor firms, using targeted and cost-effective channels such as social media.

In Phase 2, the pilot will be adjusted, based on results of an independent evaluation, to improve efficiency and efficacy, and will target an additional 75 MSEs and 15 anchor firms, bringing total beneficiary participation to 150 MSEs. At least 50 of these MSEs are expected to have female participation in the firm ownership structure¹. To ensure sustainability beyond the period of MIF investment, project activities will include development of a strategic business plan to finance continuity of activities and further scaling.

¹ Based on broad statistics for the wider small business and agricultural sector

The project is expected to directly contribute to a 10% increase in the sales of participating MSEs. At least 150 MSEs are expected to forge linkages with 30 anchor firms and a total of 200 local MSEs will receive training and capacity-building to help them integrate into the supply chains of anchor firms. MIF will deliver a high level of financial and non-financial additionality by contributing its expertise, financing and credibility as a trustworthy advocate of MSE and broader private sector development.

ANNEXES

| | |
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| ANNEX I | Logical Framework |
| ANNEX II | Detailed Budget |
| ANNEX III | Quality for Effectiveness in Development (QED) |

APPENDICES

Draft Resolution

INFORMATION AVAILABLE IN THE TECHNICAL DOCUMENTS SECTION OF MIF PROJECT INFORMATION SYSTEM

| | |
|------------|--|
| ANNEX IV | Preliminary List of Milestones |
| ANNEX V | Diagnostic of Needs of the Executing Agency (DNA) |
| ANNEX VI | Project Status Reports (PSR), Compliance with Milestones, Fiduciary Arrangements and Integrity Due Diligence |
| ANNEX VII | Procurement and Contracting Plan |
| ANNEX VIII | Project Activities Schedule |
| ANNEX IX | Operating Regulations |
| ANNEX X | Draft Terms of Reference of the MSE Consolidator |

ACRONYMS AND ABBREVIATIONS

| | |
|-------------|---|
| AOP | Annual Operating Plan |
| BHTA | Barbados Hotel and Tourism Association |
| CALC | Country Assessment of Living Conditions |
| CHTA | Caribbean Hotel and Tourism Association |
| CRF | Corporate Results Framework |
| DNA | Diagnostic of Executing Agency Needs |
| GAP | Good Agricultural Practices |
| ICT | Information and Communications Technology |
| IDB | Inter-American Development Bank |
| MIF | Multilateral Investment Fund |
| MOU | Memorandum of Understanding |
| MSE | Micro and Small Enterprise |
| OR | Operating Regulations |
| PCU | Project Coordination Unit |
| QED | Quality for Effectiveness in Development |
| TOR | Terms of Reference |

PROJECT INFORMATION

LINKING MSEs TO ANCHOR COMPANIES IN THE BARBADOS HOTEL VALUE CHAIN

(BA-M1012)

| | | | |
|--|---|--------------|------|
| Country and Geographic Location: | Barbados | | |
| Executing Agency: | Barbados Hotel and Tourism Association (BHTA) | | |
| Access Area: | Access to Markets and Skills | | |
| Agenda: | Linking Small Firms to Value Chains | | |
| Coordination with Other Donors/Bank Operations: | The project complements BA-M1009 which builds linkages between small farmers in Barbados and the cruise ship operators for supply of fresh produce. | | |
| Direct Beneficiaries: | Direct beneficiaries include at least 150 MSEs. | | |
| Indirect Beneficiaries: | Indirect beneficiaries are employees of participating MSEs which are estimated to be 750. | | |
| Financing: | Technical Cooperation: | US\$ 416,621 | 58% |
| | Investment: | US\$ 000,000 | |
| | Loan: | US\$ 000,000 | |
| | TOTAL MIF FUNDING: | US\$ 416,621 | |
| | Counterpart: | US\$ 284,600 | 42% |
| | Co-financing (if available): | | 00% |
| | TOTAL PROJECT BUDGET: | US\$ 701,221 | 100% |
| Execution and Disbursement Period: | 42 months of execution and 48 months of disbursement. | | |

| | |
|--|---|
| Special Contractual Conditions: | Special Conditions prior to first disbursement will be: (i) contracting of the MSE Consolidator; and (ii) MOUs signed with at least 6 of the initial 15 participating hotels. |
| Environmental and Social Impact Review: | This operation was screened and classified as required by the IDB's safeguard policy (OP-703). Given the minimal impacts and risks, the proposed category for the project is C. |
| Unit with Disbursement Responsibility: | CCB/CBA |

1. BACKGROUND AND JUSTIFICATION

A. Diagnosis of the Problem to be addressed by the Project

- 1.1. Barbados is a small open economy with a narrow export base (concentrated on services) that relies on a few traditional trading partners, and is highly dependent on oil imports. These factors combined make the country vulnerable to external shocks.
- 1.2. The 2008 global financial crisis has exposed the extent of Barbados' economic vulnerability. As structural weaknesses suppressed growth and challenged macroeconomic stability, current per capita income has declined, unemployment has increased and exports have remained relatively flat while public sector debt increases.
- 1.3. Tourism is the leading sector in the Barbados economy, accounting directly for 12% of GDP, and indirectly contributing to approximately 40% of GDP². The tourism sector is the largest private sector source of jobs in Barbados, currently employing 26,000 persons. 13,000 persons are employed in hotels, of which 8,000 are female and 5,000 are male³.
- 1.4. However, tourism has been directly and adversely affected by a decline of arrivals and tourism receipts from key markets, exacerbated by the sector's focus on traditional mature markets⁴. Records indicate that between 2007 and 2012, cruisers and stay-over arrivals declined 16.1% and 6.7% respectively, while tourism receipts fell by 17.8%. Despite the downturn, tourism remains the main driver of the economy and, while the country will pursue efforts to diversify the economy, in the short-term to medium term, economic growth in Barbados will continue to depend heavily on spending and growth in the tourism sector.
- 1.5. Substantial opportunities exist to augment, diversify and improve efficiency of local engagement in the tourism value chain through direct linkages between anchor companies and local Micro and Small Enterprise (MSEs⁵) providers. Over the period 2008-2013, food and beverage imports into this small island economy have represented, in value, 18% of total imports and 48% of total consumer goods imported. Average annual food and beverage imports, over this same period, totaled US\$273.3 million, second only in value to fuel imports, which amounted to US\$345.6 million. Currently 60% of imported agricultural produce is consumed by the tourism sector, while only 10% of local production is traded within the sector and only 16% of local manufactured

² Data compiled by Barbados IDB Country Office Economist, based on Central Bank of Barbados statistics.

³ Source: *The Promotion of Greater Inter-Sectorial Linkages with the Tourism Sector in the Barbados Economy* (Clyde Mascoll, 2013), prepared for the Barbados Private Sector Association, financed by MIF (ATN/ME-11627-BA; BA-M1007)

⁴ Over 70% of tourist arrivals in Barbados, originate from the United Kingdom, United States of America and Canada

⁵ For this project a *micro-enterprise* is defined as an incorporated business with not more than 10 employees, with an annual turnover of not more than BD\$500 K (US \$250K) (Small Business Association); and a *small business* - with not more than 25 employees, and not more than BD \$2.0 M (US \$1M) in annual sales (Small Business Development Act (1998/2006). The project specifically targets MSEs, but medium sized enterprises will not be precluded from participating. A *medium-sized enterprise* is defined as an incorporated business with not more than 200 employees and up to BD \$7.5 M (US \$3.75 M) in annual sales (Enterprise Growth Fund Limited).

goods are consumed by tourism operators.⁶ Hoteliers are highly motivated to increase local inputs, given tourists' increasing demand for authenticity and local product offerings. However, individually, hotels have been unable to effectively address and overcome barriers to increasing local purchases and they continue depending on intermediaries that largely deal with imported goods and services.

- 1.6. The central problem to be addressed by this project is the limited integration of local MSEs in the supply chains of hotels and restaurants that anchor the island's dominant tourism sector. Very few of the local MSEs that produce the food, beverages and other goods and services in demand from the hotels and restaurants have established consistent and reliable trade with these anchor companies. As a result most MSEs are constrained to doing business exclusively in the small domestic consumer market, which limits their profitability, growth prospects and their capacity for job creation. Given these constraints, many of the owners of these MSEs, as well as their employees, are classified as low-income or poor.
- 1.7. The project will contribute to increased trade between MSEs and local hotels, which will result in increased incomes for the MSE owners and by extension more sustainable jobs for their employees. The project will contribute directly to poverty alleviation by benefitting predominately farming households, supplying food and beverage products, which represent the greatest input to the local hotel value chain, currently serviced by imported produce. Farming enterprises targeted by this project will include those located in Barbados' rural parishes, including the North and East stratus which demonstrate above average household poverty levels, as confirmed by the *Country Assessment of Living Conditions* (CALC), updated in 2012⁷. This project is therefore consistent with the general CALC recommendation that agricultural development should be considered a key pillar to an overall poverty reduction strategy in Barbados. An *indirect benefit* of the project will be the reduction of foreign exchange utilized for food imports by the sector.
- 1.8. Additionally, given that locally cultivated produce is expected to be a key commodity traded in the value chain, the project can have a positive impact on the island's acreage maintained under agricultural production. Increased local production strengthens food security in relatively small islands like Barbados (430 square kilometers) and helps insulate them from price increases in imported foods.
- 1.9. **Causes of the problem:** The main barriers to trade between MSEs and anchor firms in the tourism sector relate to market failures on the supply, demand and pricing equation resulting in prohibitive transaction costs⁸ as follows:
 - 1) *The base of local suppliers is highly fragmented* - individual firms are often too small and not sufficiently organized to realize the economies of scale required to

⁶ *The Promotion of Greater Inter-Sectorial Linkages with the Tourism Sector in the Barbados Economy* (Clyde Mascoll, 2013), prepared for the Barbados Private Sector Association, financed by MIF (ATN/ME-11627-BA)

⁷ "...approximately 15.0% of households in Barbados can be categorized as poor and 10.2% vulnerable... In terms of geographical distribution, ... the North and East stratus demonstrate above average household poverty levels of .. 16.9%.." 2010 Country Assessment of Living Conditions (CALC) (updated in 2012);

⁸ A transaction cost is a cost incurred in making an economic exchange (restated: the cost of participating in a market) and includes search and information costs, bargaining costs and enforcement costs.

provide the requisite quantities of supplies to individual hoteliers or restaurants on a consistent basis;

- 2) *Many local MSEs in the food and beverage sector currently do not have formal certification in the industry standards* required by the hotel sector of suppliers (hygiene, food handling, good manufacturing standards, storage, packaging, etc.);
- 3) *MSE business practices have negatively affected trust* between hoteliers and MSEs, as local suppliers, particularly in the food and beverage sector, have practiced opportunistic pricing based on perceptions of what a hotel is able to pay, rather than on a standard cost. These practices may be exacerbated by the fact that local purchases are seen as irregular “one off” transactions by MSEs;
- 4) *Hoteliers lack accessible data on availability of local products and services*, and as a result are risk averse to working with local suppliers. At the same time, suppliers are unable/unwilling to invest individually in sufficient or effective market promotion and visibility to the hotel sector – resulting in information asymmetries;
- 5) Hoteliers typically offer *payment terms ranging from 30 to 90 days to their suppliers*. Local MSEs view this unfavorably, because they tend to work with limited working capital, and hoteliers’ payment cycles create cash flow constraints for micro and small businesses. In Barbados, 44.8% of small enterprises identify access to finance as a major constraint⁹;
- 6) *Procurement practices of local distribution companies* are currently oriented towards imports, in order to secure the required consistency of supply, quality and pricing required by hoteliers.

B. Project Beneficiaries

- 1.10. The **primary beneficiaries** of this project will be the owners and employees of at least 150 local MSEs in Barbados, many of whom are classified as low-income or poor. These MSEs are active in sectors such as agriculture, agro-processing, manufacturing and services. In Phase 1, at least seventy-five (75) beneficiary MSEs will be supported to supply goods and services within the initial 10-15 product categories identified as being locally available and in high demand from hotels and restaurants. In Phase 2, at least 150 MSEs will be supplying goods and services within an expanded base of product categories and 200 MSEs will benefit from business and technical training/support to facilitate trade within the tourism value chain. Indirect beneficiaries will include employees of participant MSEs representing approximately 750 persons¹⁰.

⁹ Enterprise Surveys: <http://www.enterprisesurveys.org/Data/ExploreEconomies/2010/barbados#finance--size>

¹⁰ This figure has been conservatively estimated assuming an average of 5 employees per participating MSE

- 1.11. Beneficiary MSEs will have access to a new and viable sales channel as the project will work with an initial 15 hoteliers and restaurants¹¹ which account for approximately 25% of the island's total stock of available rooms. In Phase 2, an additional 15 hotels and restaurants will be mobilized to join the program, bringing the total number of anchor firms to 30.
- 1.12. When identifying MSE suppliers from the agricultural sector, the MSE Consolidator will ensure that farming households located in the North and East, the most impoverished areas, are engaged to participate and benefit from this project. The North and East geographical district covers 4 parishes (St Lucy, St Andrew, St John and St Joseph) which have been identified by the CALC as having a higher than average incidence of rural household poverty. Establishing new market opportunities for the sale of fresh produce for these farming households will increase incomes and alleviate poverty in some of the poorest communities across Barbados.
- 1.13. At least 50 of the MSE suppliers (33% of beneficiaries) are expected to have female participation in ownership, based on broad statistics for the wider small business and agricultural sector¹². Engagement of potential beneficiary MSEs will include efforts to ensure equitable and representative gender participation.
- 1.14. Farmers that have received training in Good Agricultural Practices (GAP) under the related MIF project, BA-M1009: *Integrating Small Farmers into the Cruise Ship Value Chain in Barbados*¹³ will be also be actively targeted as participants in this project, leveraging previous investment in training and capacity-building.

C. Contribution to MIF Mandate, Access Framework and IDB Strategy

- 1.15. Link to the Agenda. This project contributes to the *Linking Small Firms to Value Chains* agenda under the *Access to Markets and Skills* access area. This project will develop, test and evaluate a *collective action, inclusive business*¹⁴ model capable of increasing trade between local MSEs in the tourism value chain in a small English-speaking Caribbean economy. Specifically in small developing economies, networks and relationships are important channels in transacting business, particularly for MSEs. Therefore the use of a consolidator as an intermediary linking small producers and hoteliers by matching demand with pockets of supply, and supporting negotiations, delivery timeframes and communications with suppliers, is designed to open new sales channels and build trust between MSEs and buyers. The model will demonstrate how high transaction costs can

¹¹ The 15 participating hotels and restaurants in Phase One of the project are: (1) Bougainvillea Resort; (2) Colony Club; (3) Tamarind, (4) Crystal Cove, (5) Turtle Beach, (6) The House, (7) Daphne's Restaurant, (8) Mango Bay Resort, (9) Island Inn, (10) Sandy Beach, (11) Waterside Restaurant, (12) Ocean Two Resort & Residences, (13) Sea Breeze Hotel, (14) South Beach Hotel and (15) The Crane Resort. These hotels were mobilized by the BHTA and participated in multiple stakeholder consultations during the design of this project with the MIF/IDB. These hoteliers expressed an interest in participating in this project during this process.

¹² Estimated figure based on data from a survey of growers in Barbados provided by the BHTA and the Enterprise Surveys: <http://www.enterprisesurveys.org/Data/ExploreEconomies/2010/barbados#finance--size>.

¹³ BA-M1009 provides US\$150,000, the maximum available under the MIF Delegated Authority to Country Offices procedure.

¹⁴ An inclusive business is a sustainable business that benefits low-income communities by including them in the business process as suppliers, producers, distributors or partners.

be reduced over time by utilizing a collective action approach. In previous attempts by hoteliers to engage with MSEs, the absence of an intermediary trusted by all parties as well as high costs proved to be a major barrier.

- 1.16. The project will design and implement a specific methodology aimed at increasing business transactions between hoteliers and the wider local economy, where opportunities for linkages are currently under-exploited, resulting in a high-dependence on imports. Across the Caribbean, tourism is similarly characterized by a high-dependence on imports of key inputs. There is therefore potential to replicate this initiative in other Caribbean countries that are also seeking to increase linkages between tourism and the wider economy.
- 1.17. The knowledge gap to be addressed by this project is how to effectively reduce transaction costs and integrate small enterprises in the supply chain of anchor companies and how to sustain these linkages. Specifically, the project will demonstrate whether the inclusive business model, facilitated by a MSE Consolidator, will foster greater MSE cooperation with hotels and restaurants that will lead to increased, commercially viable, long-term business opportunities. In small, developing economies, the management research into MSE development suggests that trust and business contacts and channels are built and developed through networks and relationships. In the proposed project, the efficacy of using an MSE consolidator to forge linkages will be tested in the context of a small developing economy and the lessons learned will contribute to MIF's knowledge and toolkit for the agenda *Linking Small Firms to Value Chains*.
- 1.18. Collaboration with the Bank Group. This project is consistent with the Ninth General Capital Increase in Resources for the Inter-American Development Bank (GCI-9) (AB-2764), as it contributes to the overall strategic goals to (i) *support development in small and vulnerable countries*; and (ii) *to foster development through the private sector*; and (iii) it is aligned with the sector priority *to increase food security through agricultural productivity*. This project reflects the overall objective of the draft **IDB Country Strategy 2014-18** "*helping to restore sustainable growth in Barbados' economy ... by supporting greater private sector development. The Bank will do this while focusing on foreign currency-earning sectors.*"
- 1.19. This project also directly complements the MIF project, BA-M1009: *Integrating Small Farmers into the Cruise Ship Value Chain in Barbados*, which addresses the lack of technical capacity and limited access to markets faced by small farmers in Barbados as well as the lack of knowledge that anchor (or buyer) companies have in dealing with low-income suppliers. BA-M1009 is designed to improve farming and business management skills of small-scale producers, engage farmer associations, and formalize linkages within the cruise tourism and grocery sector value chain in order to improve farmer competitiveness.

2. PROJECT DESCRIPTION

A. Objectives

- 2.1. The **objective at the impact level** of the proposed intervention is to increase sales of micro and small local suppliers by developing and strengthening linkages between targeted beneficiary firms and anchor companies in the tourism industry (hotels and restaurants).
- 2.2. The **objective at the results level** is to increase the number of local MSEs transacting regular business with anchor firms in the tourism sector. The project will achieve this by reducing *transaction costs*, resulting from the establishment of (i) a well-managed, sustainable inclusive business model supported by a dedicated MSE Consolidator; (ii) an ICT platform to improve matching of demand and supply; (iii) a quality assurance scheme; and (iv) a financing mechanism. These activities will assist MSEs to access and sustain new market opportunities from anchor firms in Barbados' dominant tourism sector. The project will also assist actors in the tourism sector integrate and better manage local purchases in their procurement policies and supply chain.

B. Description of Model/Solution/Intervention

- 2.3. The proposed project is designed to address the underlying root causes of high transaction costs that are hindering trade between local MSEs and anchor firms (hotels and restaurants) in the Barbados tourism sector.
- 2.4. The project is structured in two distinct phases, to be executed over a period of 42 months, with a total of 48 months for disbursement:
 - 1) **Phase 1**, a two-year pilot, spans the initial 24 months of project execution. Activities in Phase 1 are focused on developing and testing an intervention to create value chain linkages in 10 to 15 product categories between a group of 75 MSE suppliers and 15 hotels and restaurants. At the end of Phase 1, an independent mid-term evaluation will assist in determining the commercial viability and impact of this approach over the longer-term. Provided viability is confirmed, the project will transition into Phase 2, incorporating recommended adjustments to improve efficiency and efficacy and facilitate scaling. If, however, commercial viability has not been established, the option of exiting the project at this juncture can be initiated by the MIF supervision team leader.
 - 2) **Phase 2** will span the remaining execution period of 18 months. In Phase 2, the approach piloted in Phase 1 will be scaled up to include an additional 75 MSEs (for a total of 150 MSEs), and an additional 15 anchor firms bringing the total number of participating anchor firms (hotels and restaurants) to 30. In Phase 2, 15 product categories will be added on to the existing 10 to 15 so that there are a total of 25 to 30 product categories. Phase 2 will focus on scaling and mainstreaming a sustainable, commercially viable approach that will benefit MSEs in Barbados by increasing market access for the supply of local inputs to the island's dominant tourism sector.

2.5. The **intervention logic** is focused on reducing transaction costs via the following key initiatives:

- 1) **To address local market fragmentation:** The MSE consolidator working with a small initial group of goods and services, will be able to source volumes of supplies from multiple MSE providers and combine them to satisfy demand from anchor firms. The MSE Consolidator will represent and advance the business interests of the MSEs and will play a key role in establishing the required business linkages. The MSE Consolidator will work closely with MSEs to define and implement collective solutions to key barriers; assist with order management and consolidation; logistics management; and negotiations and terms of trade for business transactions between MSEs and anchor firms.
- 2) **To address industry standards and requirements, particularly for food and beverages:** The MSE Consolidator will work with MSEs, anchor firms and other public and private stakeholders in the value chain to identify key skills and process gaps that need to be addressed if local MSE inputs into the tourism value chain are to be increased. The MSE Consolidator will support the Executing Agency in the development and implementation of a quality assurance certification program that will allow MSEs and other local companies to be assessed and graded as demonstrating compliance with requisite industry process and quality standards (e.g. hygiene, food handling, good manufacturing standards, storage, packaging, etc.) at different levels. In addition, training and capacity-building will be provided to MSEs to assist them in attaining and improving their grading against the defined quality standards which in turn, will facilitate increased sales to targeted anchor firms. The quality assurance program will also offer anchor firms sourcing from certified MSEs the opportunity to brand their operations emphasizing the local content of their operations.
- 3) **To address information asymmetries and improve trust between MSEs and anchor firms:** The project will finance: (a) development and roll-out of an ICT platform¹⁵ (to be maintained by the Executing Agency) for use by MSEs and anchor firms to post, access and exchange information on demand projections, pricing and available supply of goods and services. This platform will be used during the course of the project and is expected to be a key pillar in linking local suppliers to anchor firms beyond the period of MIF investment; (b) organization of fora where local MSEs can showcase their goods and services, meet individually with anchor firms and collectively discuss the trajectory of the tourism sector focusing on the opportunities and requirements for augmenting local inputs.
- 4) **To address cash flow constraints of MSEs:** The project will include the development of a simple financial solution that MSEs can access to reduce the payment cycle and facilitate improved cash-flow/working capital management. In addition, financial and business management training and support will also be offered to local MSEs participating in the project.

¹⁵ As of 2012, Barbados has 73% internet usage penetration (people that have used internet once in the last 12 months), ranking it 43rd in the world. See http://en.wikipedia.org/wiki/List_of_countries_by_number_of_Internet_users

- 2.6. The IDB will own any and all intellectual property rights derived from any and all knowledge products resulting from the project including, but not limited to, the following: (a) How To Guide; (b) Case Study; (c) Infographics; (d) Workshop and Seminar material; (e) Mid-Term Evaluation Report (f) Final Evaluation Report; (g) Project Fact Sheet.

C. Components

Component I: Linking Actors in the Value Chain (MIF: US\$177,500; Counterpart: US\$153,250)

- 2.7. The **objective** of this component is to establish viable commercial linkages between local MSEs and hotels and restaurants. Component I will essentially test the commercial viability of the methodology in Phase One and scale the model in Phase Two.
- 2.8. The **activities** and products of this component are as follows:
- 1) **Value chain analysis and baseline data:** At the inception stage, a supply chain analysis (including a structured assessment of purchasing patterns and opportunities for augmenting the supply of locally sourced inputs from the agriculture, manufacturing and services sectors) will identify an initial group of 10-15 targeted products that are in constant demand by anchor firms and which can be supplied locally. This activity will also include definition of the parameters and processes for the capture, analysis and reporting of data to support monitoring and evaluation of changes in local supply over the course of project implementation.
 - 2) **Appointment of a MSE Consolidator:** The role of the MSE Consolidator is to support local MSEs in increasing their sales to anchor firms in the tourism sector. A key element of the MSE Consolidator's role will be to develop a transparent framework for business transactions between MSEs and anchor companies, including processes for order placement, payments, quality assurance and dispute resolution. The MSE Consolidator's role will extend to other areas of support to MSEs as outlined in later sections, including but not limited to strengthening capacities of MSEs to transact business with anchor firms, reducing information asymmetries and importantly, building trust and confidence of participants. MIF financing will cover the cost of the MSE Consolidator for the initial 24 months representing Phase 1 of the project, with Phase 2 costs being covered by counterpart contributions from anchor firms to ensure sustainability of the model beyond the period of MIF investment. This MSE Consolidator's role is to work in the interest of MSEs; in this regard the Consolidator's remuneration will be tied to the achievement of specific targets representing increased participation by local MSEs in the tourism industry value chain¹⁶.

The MSE Consolidator will lead the following key activities:

- (i) Establish transparent, practical and formal systems for order placement, short-term demand and production forecasting (monthly); longer-term (bi-

¹⁶ See *Draft Terms of Reference* for the MSE Consolidator - included In the MIF Project Information System

- annual) procurement programs based on seasonality/demand schedules, quality assurance and supply;
- (ii) Develop with MSEs and anchor firms a fair and balanced framework for transacting business including negotiations, dispute resolution and value-chain dialogue that will improve engagement between suppliers and hoteliers/restaurants;
 - (iii) Augment local purchasing by anchor firms through the following mechanisms: match demand forecasts with local suppliers and work with them to consolidate supplies; support MSE compliance with required timeframes, quality and volumes; design, test and integrate mechanisms for dispute resolution as well as monitoring food safety standards (hygiene, food handling, manufacturing standards, storage, packaging etc.); identify technical training needs and work with other actors/initiatives to increase linkages between hoteliers and MSE suppliers;
 - (iv) Research and apply relevant elements of best practice models from across the region, including outputs experiences and knowledge products generated under the MIF project: *Inclusion of Microenterprises and Small Businesses in the Sustainable Tourism Value Chain in Miches, Dominican Republic (DR-M1034)*;
 - (v) Develop a business model to ensure sustainability of the value chain linkages approach, including contributions by participating anchor firms that can support project activities in Phase 2 as well as beyond the period of MIF investment;
 - (vi) In close collaboration with local MSEs participating in the project, identify key inputs that are currently imported by MSEs and identify, and where possible, negotiate with alternative suppliers with a view to attaining economies of scale, reducing cost, increasing efficiency and maintaining quality. In this regard, the MSE Consolidator can work with local MSEs to group and place orders for common inputs so that savings derived can be realized by the project's beneficiary group.
- 3) **Support Training and Capacity-Building for MSE beneficiaries:** A Quality Assurance Scheme for locally produced agricultural products and processed food and beverages will be developed and implemented for MSEs. This scheme will include formal accreditation of local content (e.g. "farm to fork/farm to table" logo to be used by hoteliers on menu/website etc.), assurance that suppliers comply with basic principles of Good Agricultural Practices (GAP), Food Safety Standards and Good Manufacturing Practices (GMP). This quality assurance program will be designed with different levels of accreditation available to MSEs and can be scaled over the duration of the project. Building on areas identified, the Executing Agency will partner with other development institutions and business groups to deliver practical and relevant workshops and provide tools to assist MSEs to strengthen business processes and systems so as to demonstrate general compliance with the food safety and other industry standards to which the hoteliers subscribe. In this

regard the project may leverage knowledge and tools developed under other MIF financed operations in the English speaking Caribbean¹⁷.

- 4) **Develop a Business Case Analysis for a Centralized Physical Facility:** Industry experts working with local growers and suppliers in Barbados have identified the need for a centralized collection center/packing house that can function as a hub for (i) the receipt and consolidation of supplies (such as fresh produce) from multiple micro and small producers; (ii) monitoring and grading of produce and other products for quality assurance purposes; (iii) value addition through sorting and packaging; as well as (iv) dispatch to buyers. Such a facility would be particularly important in supporting logistics management as the intervention is scaled and attracts additional MSEs and anchor companies, including potentially cruise lines visiting the island¹⁸. MIF will finance the conduct of a feasibility study and business plan as well as definition of potential financing options for the proposed facility.
 - 5) **Develop, test and scale an ICT Platform:** This Information and Communications Technology (ICT) tool will assist in building transparency and in matching buyers with multiple suppliers and will support the work of the MSE Consolidator. The platform will seek to build on and integrate with existing software currently utilized by hoteliers for supply chain management. At the outset, the ICT Platform will provide a forum for information exchange that may be extended to business transactions over the medium-term, as MSEs become more formally embedded into the supply chains of participating anchor firms. As the project is scaled, the MSE Consolidator will use the ICT Platform to plan, manage and monitor transactions and project results.
 - 6) **Develop a “How to Guide”** that explains to MSE suppliers in the tourism value chain how to meet the industry’s requirements for quality assurance and business standards. While MSEs will be the primary audience of the *How to Guide*, it will also be shared with industry stakeholders and relevant parties through various fora including networking, promotional and market-matching events. It will be uploaded on the BHTA website and ICT Platform and shared with the Caribbean Hotel and Tourism Association (CHTA) members.
- 2.9. The expected **results** of Component I include the following: (i) at least 150 local MSEs have adopted new practices that can facilitate increased transactions with anchor companies; (ii) 200 MSEs firms have received training/capacity-building to meet required quality and business standards of anchor firms; and (iii) the ICT Platform linking local suppliers and anchor firms is operational.

¹⁷ For example: TT-M1017: *Implementation of Sustainable Farming Practices by Communities in the Northern Range*; TT-M1014: *Improving Food Safety Standards among street vendors in Tobago*; TT-M1013: *Improving Financial and Business Literacy of Small and Micro Entrepreneurs*; BA-M1009: *Integrating Small Farmers and the Cruise Ship Value Chain in Barbados*; RG-M1208: *Caribbean Micro-Finance Capacity-Building Program (CARIB-CAP) II*;

¹⁸ MIF is currently investing in building farmers capacity to supply the Carnival Cruise and other cruise lines docking in Barbados under BA-M1009.

Component II: Business Exchange and Networking (MIF: US\$77,060; Counterpart: US\$54,550)

- 2.10. The **objective** of this component is to address information asymmetries that persist in this sector by creating a shared understanding of industry conditions and business opportunities, and building trust between MSEs and anchor firms as well as other key actors in the hospitality value chain.
- 2.11. The key **activities** and the products to be financed under this component include the following:
- 1) ***Design and implementation of an outreach and marketing program*** to support awareness building and secure buy-in of direct participants, industry stakeholders and customers of anchor firms. The program will be supported by a Project Assistant who will support proactive management of content, outreach efforts and regular updates via social media on project activities and results. Further support will be provided by the Executing Agency's Public Relations agent. Activities will also include a formal program launch, as well as profiling of participant MSEs and anchor firms.
 - 2) ***Hosting of Sector Networking and Market-Matching Forums***: These forums will help to promote business networking and build trust between MSEs and anchor firms. They will include market-matching, in which a broad range of local MSEs can showcase their goods and services to key buyers in the tourism sector.
 - 3) ***Facilitation of Value-Chain Dialogue*** involving MSEs as well as traditional participants in tourism sector dialogue such as hoteliers, restaurant operators, tour operators, distributors and industry agencies and associations in order to build broader participation and understanding of the future direction, challenges and needs of the island's dominant economic sector. Key audiences targeted under this component are as follows:
 - (i) MSE supplier companies from the local private sector that might be interested in expanding their business with anchor companies in the tourism value chain. The message will be that there are opportunities for significant business growth for MSE suppliers that meet quality standards and become suppliers of the anchor companies.
 - (ii) Additional anchor firms (potentially including distribution companies) that are active in the tourism sector, and are seeking opportunities to increase the amount of local content of their supplies, services and inputs, to reduce cost and improve the local authenticity of their company brand. The key message will be that the project intervention has significantly reduced high transaction costs associated with engaging local MSE suppliers. Moreover the key message will convey that such suppliers acting collectively and importantly when supported by a single point MSE Consolidator, are capable of meeting volume and quality requirements of industry players, and that such transactions are commercially viable.

- 2.12. The expected **results** of Component II are as follows: (i) 300 MSEs and anchor firms participate in various networking activities; and (ii) at least 8 events focused on value chain dialogue are convened, by project completion.

Component III: Development of a Financial Product (MIF: US\$7,400; Counterpart: US\$12,000)

- 2.13. The **objective** of this component is to define a relevant and cost-effective financial solution/mechanism that MSEs can access to overcome cash flow constraints currently associated with supplying hotels and restaurants on a 30 to 90 day payment cycle.
- 2.14. **Activities** will include:
- 1) ***Development of a Financial Solution*** that can better facilitate trade between small suppliers and anchor firms. The MSE Consolidator will facilitate engagement with interested financial intermediaries, hoteliers/restaurants and MSEs to determine the needs and constraints of both buyers and sellers as inputs to the design of a relevant and cost effective product/service. Given the relatively small pool of suppliers (75 in Phase 1 and a total of 150 in Phase 2) and the small volume that each individual MSE supplier will deliver to anchor firms via the MSE Consolidator, it is expected that a fairly simple mechanism such as a revolving fund could be established to ensure that suppliers are paid within a shorter timeframe than the hotel industry currently provides. In this regard, MIF investment will focus on facilitating dialogue between the actors as well as simple design of how this system will work.
 - 2) ***Testing of a Financial Solution:*** The project also seeks to test via a small pilot program the viability and MSE interest in utilizing the financial solution developed under the program to address working capital and cash flow challenges they experience in supplying large anchor firms. The results of this pilot can inform the structuring and mainstreaming of a broader financial solution in Phase Two of the project.
 - 3) ***Capacity-Building for local MSEs in financial and business management:*** Training will be delivered to assist MSEs in transacting and managing business relationships and cash flows in a more efficient and effective manner. Training materials can be drawn and adapted from a range of micro and small development programs within the English speaking Caribbean. To maximize participation by targeted beneficiaries' materials will be posted and updated as required via the project's ICT Platform and social media sites.
- 2.15. The expected **results** of Component III include (i) design of a financial solution for MSEs; and (ii) the participation of 100 firms in capacity-building for improved business and financial management.

**Component IV: Knowledge Management and Communications Strategy (MIF: US\$4,500;
Counterpart: US\$12,500)**

- 2.15. The **objective** of this component is to systematize, document, and disseminate the experience and knowledge generated in this project, focusing on the business model of the MSE Consolidator as an agent to link MSEs to hotels and restaurants. It will assess the Consolidator's role and sustainability in bridging dialogue and facilitating the lowering of transaction costs between local MSEs and anchor firms in Barbados' tourism sector.
- 2.16. **Audiences:** The strategic audiences of the project and their expected actions are:
- 1) The Caribbean Hotel and Tourism Association (CHTA) co-located at the BHTA offices in Bridgetown Barbados, represents the leadership of thirty six (36) tourism associations across the wider Caribbean, including the Dominican Republic and Puerto Rico. Many tourism economies in the region struggle to establish viable linkages between small scale local businesses/micro-producers and large hotel operators. In this regard, the CHTA member organizations will constitute a highly strategic audience for the dissemination of the project model and results. The CHTA or member organizations could potentially replicate the intervention in other tourism based economies. The BHTA will present the project status and results as well as key lessons learned at the CHTA Annual General Meetings over the course of the project. In addition, the detailed Case Study and any other relevant knowledge products will be distributed to the CHTA Membership List.
 - 2) The BHTA represents over 280 organizations that are directly or indirectly involved in Barbados' key tourism sector. The BHTA will specifically target hoteliers, restaurants and other potential anchor firms within its membership base for dissemination of the project's knowledge products particularly infographics depicting the problem, intervention logic and results. Firms within this targeted audience may seek to enter the program as buyers/anchor firms, thereby expanding the market opportunities for local MSEs.
 - 3) In addition, the BHTA will seek to share relevant knowledge products with other private sector associations/agencies representing the tourism sector and other development agencies that may be interested in using the lessons learned from this project when developing similar interventions in the region.
- 2.17. **Communication channels** include regional and local seminars, posting of knowledge products on the BHTA website and other social media, as well as emailing of knowledge products to stakeholders. The knowledge products as well as any training materials financed by the project will be prepared and packaged following the standards established in the MIF Knowledge Management Toolkit.
- 2.18. The main knowledge products to be developed under this component are follows: (i) a detailed **Case Study** on the project experience and results; (ii) **2 Infographics** (one following Phase 1, the other following Phase 2) that draw on project experience and results. The knowledge products will illustrate specific barriers to value-chain integration in the tourism sector, and will look at solutions, benefits and beneficiaries.

- 2.19. In addition, on an annual basis, the executing agency will create and update the **Project Fact Sheet**, which contains basic information on the project, its challenges, the intervention strategy and results.
- 2.20. The expected **results** of Component IV include (i) 50 institutions access the Case Study; and (ii) 100 persons access the Infographics.

D. Project Governance and Execution Mechanism

- 2.21. The project governance structure will include an Advisory Committee which will include five to seven representatives of key tourism industry stakeholders as well as MSEs. The Advisory Committee will function as a key *strategic forum* to provide industry-based and contextually relevant technical recommendations and inputs into the program. The *overall role* of the Advisory Committee is to (i) provide critical and specific inputs as well as informed guidance to the EA, on industry-related matters of relevance to the project; (ii) serve as an essential partner that will mobilize participation from a wide-network of industry stakeholders; and (iii) enhance accountability and transparency resulting in superior project governance. The Advisory Committee will have a number of *specific responsibilities* including: (i) discussion and resolution of key issues impacting implementation; (ii) promotion of the project with other industry stakeholders; (iii) discussion and recommendation to the EA of strategic changes that may be required to improve project performance and relevance; (iv) supporting the sourcing of counterpart contributions; (v) development of - with assistance and facilitation from a consultant - a Strategic and Business Plan to ensure continuity of the project activities beyond the period of MIF investment; and (vi) providing input into independent evaluations of the project. The Advisory Committee will be chaired by the BHTA and in the first year of operation it is expected to meet bi-monthly or more often as required. From year 2 the Advisory Committee is expected to meet at least on a quarterly basis. Minutes of the Advisory Committee meetings will be maintained and will form part of the project's records. The members will be selected by the BHTA based on involvement, influence, and potential contribution at various stages of the project. In this regard, members can be rotated or co-opted as required to address specific issues over the course of the project. The BHTA may also invite individual experts to advise on specific issues. The MIF/IDB Country Office in Barbados will appoint a permanent member to the Advisory Committee.
- 2.22. The BHTA as Executing Agency will be responsible for execution of the project, including procurement and contracting of all goods and services financed by the MIF. The day-to-day activities of the project will be managed by two key full-time individual consultants – specifically the *MSE Consolidator* and a *Project Assistant*. Both consultants will be selected and contracted by the BHTA. The critical role of the MSE Consolidator has been outlined in previous sections and there are further details in the Annex IX Operating Regulations and Annex X Draft MSE Consolidator Terms of Reference. The Project Assistant will focus on administrative and fiduciary management, as well as outreach, marketing and communication via social media and event management/logistics coordination. These two critical project consultants will be supervised by, and report directly to, the BHTA's Executive Vice-President.

E. Sustainability

- 2.23. The proposed intervention will pilot an approach to **reduce transaction costs** and **improve the commercial viability** of local sourcing of goods and services by hoteliers and restaurants, which are the key anchor firms in the Barbados tourism sector. The key cost driver of the proposed intervention is the compensation of the MSE Consolidator. During Phase 1, MIF financing will cover the MSE Consolidator costs and will fund investments in the key supporting structures required to operationalize the model, specifically the ICT Platform, establishment of a quality assurance program and associated capacity-building and market exposure for local MSEs. The proposed intervention will be assessed by an independent evaluation at the end of Phase 1 and modified based on recommendations to improve efficiency and buy-in and to ensure sustainability. During Phase 2, anchor firms participating in the program will provide cash counterpart in the form of contributions to cover the on-going operating costs including costs of the MSE Consolidator. By Phase 2, it is expected that anchor firms will have realized tangible commercial benefits in terms of cost-efficiency, quality and branding benefits associated with local-sourcing to justify ongoing contributions to the program.

To secure the commitment and buy-in of anchor firms, the BHTA will require that participants sign an MOU and demonstrate visible support for the program in its marketing and project promotion events. The MOU will include commitment to active cooperation with the MSE Consolidator, as the agent of local MSEs, as well as specific provisions for the supply of information on purchasing patterns, demand projections, and the dollar value of purchases from local MSEs. In addition, the MOU will include a commitment to participate in the design and testing, as well as adoption of a business framework and quality assurance program that will govern transactions with local MSEs. Furthermore, the MOU will reference financial participation in Phase 2 to ensure sustainability and facilitate scaling of the project. The advisory committee and value-chain dialogue events will provide important fora to build and secure strategic and financial commitments from anchor firms.

- 2.24. One year before the project ends, a **sustainability workshop** will be held with all key stakeholders to identify specific actions needed to ensure the continuity of the project's activities after the period of MIF investment and involvement. Specific consideration will be given to: staffing of the MSE Consolidator position; maintaining and updating the Quality Assurance program; MSE training; the business framework; and the ICT Platform used to connect local MSEs and anchor firms. Issues such as engaging participation by additional MSEs and anchor firms, as well as required financial and technical resources required for sustainability, will also be distilled. Drawing on key outputs and dialogue in the sustainability workshop, a comprehensive strategic business plan outlining operational and financial options will be developed for presentation and discussion with the advisory committee as well as other relevant industry stakeholders. Based on these consultations, a detailed implementation plan for sustainability will be developed and resourced as appropriate.

F. Experience and Lessons Learned from MIF or other Institutions

- 2.25. The planned activities under the MIF project ***Integrating Small Farmers into the Cruise Ship Value Chain in Barbados (BA-M1009)*** and this initiative are complementary. Under BA-M1009, 100 farmers will be trained in Good Agricultural Practices, food industry and production standards. There are synergies between industry standards required by cruise operators and local hoteliers. This training will therefore be highly relevant to participating MSEs in this project. In designing this project the MIF team drew useful and relevant lessons learned from a pilot to link small farmers to Carnival Cruise Lines for the supply of fresh produce. These include:
- 1) the importance of a *single point intermediary/consolidator* that has the trust of both buyers and sellers to reduce transaction costs of dealing with a highly fragmented base of micro/small enterprises;
 - 2) the importance of *practical training and support* in required food safety and related practices for suppliers of food and beverages to the tourism sector;
 - 3) the importance of bridging the payment cycle for small suppliers;
 - 4) utilization of a *phased approach* starting with a smaller number of reliable suppliers for a limited range of products to build confidence of the buyers and develop a viable model.
- 2.26. In addition, key lessons extracted and applied from two value chain projects in **Trinidad and Tobago TT-M1007: *Adopt a Farmer Program*; and TT-M1015: *Value Chain Development***, are as follows:
- 1) importance of *starting with a small number of early adopters* on both the demand and supply side and subsequently scaling the initiative once a positive demonstration effect has been developed;
 - 2) importance of a *trusted intermediary* that can help establish a framework for business transactions, consolidate supplies from a large number of small operators and translate buyers concerns and quality requirements in a way that is practical and actionable by suppliers.
- 2.27. The project TT-M1007 in particular, financed consolidation of orders from a major hotel in Tobago with a small group of farmers. This consolidation was facilitated by an agricultural specialist who was able to effectively coach participating farmers in agricultural practices such as crop planning to ensure order fulfillment and quality assurance. Over time, the farmers' co-operative was able to assume a role of primary interlocutor with the hotel purchasing officers. The involvement of a trusted intermediary, in this case, the agricultural specialist in the early stages of the project, was the critical success factor in initiating regular business between hotels and small farmers. The farmers participating in this project reported a smoothing of their income as well as an increase in disposable income over time.
- 2.28. Specific results achieved through this small MIF project (TT-M1007) included the following: 26 farmers received training in Good Agricultural Practices and Business Management, resulting in 12 farmers being able to sell their products directly to 9

participating hotels and restaurants; and beneficiary farmers reported an average of a 40% increase in prices received for their produce via direct sales to hotels and restaurants.

- 2.29. The MIF project *Inclusion of Microenterprises and Small Businesses in the Sustainable Tourism Value Chain in Miches, Dominican Republic* (DR-M1034) was approved in 2012 and includes some similar activities. Any available knowledge products from DR-M1034 (including the two case studies, one client-supplier methodology, and a practical guide for entrepreneurs and farmers who wish to improve the quality of their products) will be reviewed by the MSE Consolidator, the BHTA and the Advisory Committee, during the course of implementation to retrieve and apply relevant lessons learned and good practices. Similarly, these knowledge products can inform the design and content of knowledge products for BA-M1012.

G. MIF Additionality

- 2.30. Non-Financial Additionality. Based on consultations with key stakeholders, individual hotels as well as the BHTA indicated that they have tried in the past to work with local suppliers, but transaction costs are prohibitive and can only be lowered through a *collective action approach*. In addition, stakeholders on both the demand and supply side of the value chain demonstrate low levels of trust and an absence of a shared understanding of the opportunities and challenges associated with increasing local content. MIF brings experience and relevant knowledge to the program, and functions as a credible and independent broker to address this collective action problem. MIF has considerable technical expertise in the integration of smaller suppliers into industry value chains – particularly in the agriculture sector - in a way that allows both buyers and sellers to create and capture higher levels of value.
- 2.31. Financial Additionality. Many hoteliers are small to medium sized locally owned and operated enterprises that are willing to engage local suppliers. However individually, they are unable to justify the high cost associated with establishing processes, systems and resources required to overcome transaction cost-barriers – particularly without evidence of associated commercial benefits. The ability of MIF to finance the design of a practical multi-faceted *collective action solution* and to develop and pilot the model in Phase 1, will provide much needed funding to demonstrate commercial viability and attract buy-in from anchor firms that is required for scaling and sustaining this approach.

H. Project Results

- 2.32. The expected result is to link at least 150 MSEs to anchor companies so that the MSEs have predictable and reliable buyers for their products. Results indicators will be disaggregated by gender and will track female and male participation in ownership of the beneficiary MSEs. The expected results are:
- 1) 150 firms have established links to strategic business partners (CRF: 230200);

- 2) 30 anchor firms that have adopted new technologies or practices (CRF: 230100);
- 3) 200 firms receiving training or are otherwise strengthened to provide new and/or augmented goods or services (CRF: 130100)

I. Project Impact

- 2.33. The expected impact is to increase sales revenues of participating MSEs by developing and strengthening linkages between targeted beneficiary firms and anchor companies in the tourism industry (hotels and restaurants). In this regard, and in consideration of the limited export potential of local MSEs, the project will contribute to improving business performance of MSEs, and by extension improving employment conditions and livelihoods of their respective workforces. At the impact level, indicators will be disaggregated by gender and will track female and male participation in ownership of the beneficiary MSEs. The expected impact is:

- 1) Average local firms' and farms' annual sales to anchor firms in the tourism sector has increased by 10% (CRF: 330100).

An additional benefit is that the project will promote the substitution of previously imported supplies with those sourced locally. This will provide tourists with an enhanced local experience, which strengthens the attractiveness of the local tourism industry and increases business for hotels and MSE producers.

J. Systemic Impact

- 2.34. The expected systemic impact is to demonstrate the efficacy and sustainability of the MSE Consolidator Model for the ongoing benefit of MSEs and anchor companies in Barbados as well as for potential actors in other locations that may benefit from implementing a similar project. In terms of systemic impact the project will track achievements against the following Corporate Results Indicators:

- (i) Number of key private actors changing or applying new practices based on a MIF sponsored project (CRF: 450300): At least thirty (30) anchor companies (hotels and restaurants) are changing their procurement policies to enhance trade with local suppliers;
- (ii) Number of MIF introduced models scaled or replicated (CRF: 450100): The project will pilot and scale a model utilizing an independent consolidator to link MSEs with anchor firms as a solution to reduce transaction costs and integrate local suppliers into the tourism value chain;
- (iii) Number of firms or farmers with strategic business partners (CRF: 230200). At least 150 local firms and farmers will supply anchor firms in the tourism value chain.

3. MONITORING AND EVALUATION STRATEGY

- 3.1. **Baseline:** The BHTA is currently compiling baseline data on purchasing patterns from a group of local hoteliers. An expanded baseline/value chain analysis will be conducted on inception of project implementation to build-out and analyze data that will facilitate selection of a pilot group of goods/services for testing during Phase 1 and provide a

baseline for social, economic and other data required to measure project results and impact.

- 3.2. Baseline data on the MSEs will be collected when they begin participation in the project. Information on MSEs will be disaggregated by sex and firm size and will include sales data and number of employees.
- 3.3. Participating hoteliers as well as MSEs and larger suppliers participating in the project will be required to sign an MOU with BHTA which will include provisions for disclosure of information on volume and other parameters of local sourcing. The MSE Consolidator, using the ICT platform, will maintain data on volumes of trade in targeted (and potential) product groupings.
- 3.4. Project results will be assessed on completion of Phase One via an independent **Mid-Term Evaluation** which will focus on the model's viability and potential for scale up and will provide recommendations for modifications to the model based on lessons learned and results achieved. Once the viability of the model has been confirmed by the mid-term evaluation, the project will transition into Phase 2. If, however, the approach in this project does not demonstrate potential for commercial viability during the Pilot phase, the option of exiting the project can be exercised by MIF.
- 3.5. On conclusion of the project, an independent consultant, contracted by the IDB and financed from MIF resources available in the project budget, will undertake a **Final Evaluation**. The final evaluation's main goals will be to: (i) determine whether the objectives, outcomes and impact as stated in the logical framework were achieved; (ii) identify lessons learned and provide recommendations for future operations to be financed by the IDB and MIF; and (iii) assess the BHTA's role and performance as implementing agency. The report will take into account the project's relevance, effectiveness, efficiency and sustainability. The consultant will be required to distill key lessons learned as well as recommendations for future efforts of the Executing Agency, the MIF and other stakeholders in this project, as well as key learning applicable to similar projects in Barbados, and the wider region.
- 3.6. **No impact evaluation** is envisaged.
- 3.7. **Closing Workshop.** The executing agency will organize a closing workshop at the appropriate time to assess the outcomes achieved, identify additional tasks to guarantee sustainability, and identify and disseminate lessons learned and best practices. The closing workshop will present the findings of the evaluation and involve the broad stakeholder participation, including both hoteliers and MSE suppliers.

4. COST AND FINANCING

- 4.1. The project has a total cost of US\$701,221 of which up to US\$416,621 (58%) will be provided by the MIF, and US\$284,600 (42 %) by the counterpart. The execution period will be of 42 [forty-two] months and the disbursement period will be of 48 [forty-eight] months.
- 4.2. Retroactive Recognition of Counterpart Funds. The sum of **\$28,000** in counterpart financing will be retroactively recognized for expenses incurred prior to approval and after June 27, 2014. These were expenses that were vital to the initial development of the project and focused on gathering information leading to a baseline study and engagement of anchor firms and local stakeholders.

| | MIF | Counterpart | BHTA Retroactive Recognition (included in counterpart) | Total |
|--|----------------|----------------|--|----------------|
| Project Components | | | | |
| Component I: Linking Actors in the Value Chain | 177,500 | 153,250 | 1,750 | 330,750 |
| Component II: Business Exchange and Networking | 77,060 | 54,550 | 26,250 | 131,610 |
| Component III: Development of a Financial Product | 7,400 | 12,000 | | 19,400 |
| Component IV: Knowledge Mgmt. & Communication Strategy | 4,500 | 12,500 | | 17,000 |
| Execution and Supervision Components | | | | |
| Project Administration | 64,560 | 48,300 | | 112,860 |
| Mid-Term Evaluation | 12,000 | 0 | | 12,000 |
| Final Evaluation | 12,000 | 0 | | 12,000 |
| Strategic & Business Plan for Sustainability | 7000 | 4,000 | | 11,000 |
| Fiduciary Support & Audit | 10,000 | 0 | | 10,000 |
| Contingencies | 20,000 | 0 | | 20,000 |
| Sub-total | 392,020 | 284,600 | 28,000 | 676,620 |
| % of Financing | 58% | 42% | | |
| Institutional Strengthening - <i>not applicable</i> | | | | |
| Impact Evaluation Account (5%) | 19,601 | 0 | | 19,601 |
| Agenda Account | 5,000 | 0 | | 5,000 |
| Grand Total | 416,621 | 284,600 | 28,000 | 701,221 |

5. EXECUTING AGENCY

- 5.1. The Barbados Hotel and Tourism Association (BHTA) will be the Executing Agency of this project and will sign the agreement with the Bank.
- 5.2. Established in 1952, the **Barbados Hotel and Tourism Association** (BHTA) is a not-for-profit private sector trade association and one of the largest non-government associations in Barbados. The BHTA was incorporated under the *Barbados Companies Act* (Cap 308), as a non-profit company. The BHTA governance structure includes a 12 member, non-executive Board of Directors chaired by a President. The President, First Vice-President and Second Vice-President each serve for a period of two (2) years while all remaining Board Directors serve annual terms. All Board Directors are elected from within the existing membership. The Board governs the policies of the organization, while implementation of day-to day operations are managed by a full-time Executive Vice President and a complement of six (6) technical, accounting and administrative support staff.
- 5.3. The BHTA's mission is to serve the interests of a diverse membership of over 280 businesses, both local and international, operating in or supplying the island's tourism sector. BHTA's membership represents over 80% of the total accommodation room stock of the island, and over 60% of their membership base consists of non-accommodation entities, including airlines, restaurants, retailers, local and international trade and consumer press, advertising and PR agencies, technology providers, suppliers of goods/services and cruise service providers. BHTA's primary goal is to facilitate sustainable growth and development of the local tourism sector, to the benefit of its members, the country and people of Barbados.
- 5.4. The proposed intervention is directly aligned with the mission and objectives of the BHTA which is to bring people, research and technology together to address challenges of the tourism business and to engage and promote a more *inclusive* approach to the country's dominant business sector. The BHTA in their programs to date has focused on *local engagement* in the tourism sector and has built important local, regional and international partnerships that can support successful implementation of the proposed project.
- 5.5. The BHTA will establish a Project Coordination Unit (PCU) resourced by the MSE Consolidator and a dedicated Project Assistant. The PCU will be based within the BHTA offices and supported by BHTA's existing administrative and accounting staff. The PCU will focus on project planning and execution; implementation of technical activities; assessment and reporting of results; and coordination of beneficiaries, anchor firms and other stakeholders involved in project delivery. The BHTA's finance division will set up the required processes and structures to manage and report on financial resources.
- 5.6. Details on the structure and reporting requirements of the PCU are defined in ***Annex IX Operating Regulations***.

6. PROJECT RISKS

- 6.1. *Sector Risk:* a key risk is that the project is not able to sufficiently address the comparatively high transaction costs of doing business (i) in a highly fragmented environment with multiple small local suppliers and (ii) where the cost structure for key inputs remains unfavorable for MSEs. The project includes specific mitigation measures to directly address these risks. On inception, a supply chain analysis will identify a suite of products/services that are in high demand and which have the potential to be locally supplied on favorable commercial terms. The project will pilot this suite of products/services to demonstrate that the model can work. Additionally, the MSE Consolidator will work directly with MSEs to address high costs of supply/production including, for example, opportunities for economies of scale in procurement of inputs. Once successful, the model will be scaled under a second phase.
- 6.2. *Sustainability Risk:* There is a risk that the intervention will not be sustainable if the counterpart financing, to be realized mainly through contributions from anchor firms, is not sufficient to maintain the MSE Consolidator position into Phase 2. This risk will be mitigated by front-loading MIF financing to ensure early implementation of key project activities that constitute the proposed *collective-action model*. Phase 1 will initiate and test the viability of this model with an initial group of early adopters - 15 anchor firms - and 75 MSEs. Once project gains are achieved during the pilot, the *demonstration effect* will catalyze additional participation of anchor firms - and support from other potential sources of counterpart funding. Furthermore, at the end of Phase 1, an independent mid-term evaluation will assist in determining the commercial viability and impact of this approach over the longer-term as well as make recommendations on how to improve implementation. The Executing Agency will, based on these findings, institute recommended adjustments as the project enters the second phase – including, where relevant, strategies to augment counterpart contributions. However, if the project does not demonstrate viability beyond Phase 1, the project can be exited.
- 6.3. *Implementation Risk:* An additional risk is that the MSE consolidator is perceived to represent the interests of the anchor companies over those of the targeted MSE beneficiaries. To mitigate this risk the Terms of Reference developed for the MSE Consolidator links payments to the achievement of key results of the program and specifically the number of MSEs linked to the hoteliers supply chain and the volume/dollar value of products and services actually purchased.
- 6.4. *External risk:* an external risk would be a deterioration of the macroeconomic environment and downward pressure on the tourism sector in Barbados. However given the country's large food import bill, pressure on the exchange rate and cost of imported inputs, there are currently strong incentives for hoteliers to seek more efficient and cost effective local supplies of food and beverages.

7. ENVIRONMENTAL AND SOCIAL EFFECTS

- 7.1. Minimal negative environment, social, health and safety impacts and risks are expected and as such this project has been categorized Category "C" in accordance with the IDBs Environmental Safeguard Policy.

- 7.2. More specifically, in the absence of a broadly accepted local standard for the food and beverage industry in particular, and given that many MSE suppliers in this industry do not currently exhibit formal compliance with international industry standards and certification programs, this may result in health, safety and hygiene risks. These risks will be mitigated by (i) the introduction of a quality assurance scheme; and (ii) the application of strict selection criteria for MSEs suppliers of anchor firms which will ensure that they comply with: (i) industry quality standards; (ii) local laws and regulations (including labor laws); and (iii) the IDB exclusion list.

8. COMPLIANCE WITH MILESTONES AND SPECIAL FIDUCIARY ARRANGEMENTS

- 8.1. **Disbursement by Results and Fiduciary Arrangements.** The Executing Agency will adhere to the standard MIF disbursement by results, procurement and financial management arrangements specified in Annexes VI and VII.

9. INFORMATION DISCLOSURE AND INTELLECTUAL PROPERTY

- 9.1. **Information Disclosure.** This project document is classified as public for the purpose of the Bank's disclosure policy.

ANNEX I: Logical Framework

Project Title (BA-M1012)

Linking MSEs to Anchor Companies in the Barbados Hotel Value Chain

| Linking MSEs to Anchor Companies in the Barbados Hotel Value Chain | | | | | | | RISKS | |
|--|---|--|---|-------------|--------------|--------------|----------|---|
| IMPACT | To increase sales of MSEs suppliers to the tourism value chain in Barbados | Indicator 1 | Baseline | Inter Value | (Cumulative) | (Cumulative) | TARGET | Deterioration of macroeconomic environment and downward pressure on tourism sector. |
| | | Average firms' and farms' annual sales growth (330100). | 0 | - | - | - | 10% | |
| | | Formula/Definition | | | | | Month 48 | |
| | | (Average annual sales at project end minus average annual sales at project start)/ (Average annual sales at project start). This will be determined via a survey of MIF-supported MSEs, using 50 MSEs as a representative sample. | Source: Baseline/Value-chain study & Period Updates; and data from the IT Platform established under Component 1. | | | | | |
| RESULTS | To assist MSEs to establish consistent and reliable trade with anchor companies, by establishing a well-managed, sustainable inclusive business model - capable of reducing high transaction costs. | Indicator 1 | Baseline | Inter Value | (Cumulative) | (Cumulative) | TARGET | Some MSE suppliers may be unwilling to co-operate to achieve economies of scale. Reductions in transaction costs are not sufficiently realized to justify increased purchases from MSEs by anchor firms. |
| | | Number of firms or farms with links to strategic business partners (230200). | 0 | 75 | - | - | 150 | |
| | | Formula/Definition | Month 0 | Month 24 | - | - | Month 42 | |
| | | Number of MSEs suppliers (including small farmers, manufacturers and service providers) linked to and transacting regular business with anchor firms (hotels and restaurants) in the tourism sector. | Source: Report from Consolidator. | | | | | |
| | | Indicator 2 | Baseline | Inter Value | (Cumulative) | (Cumulative) | TARGET | |
| | | Anchor companies (hotels and restaurants) participating in the project as buyers. | 6 | 15 | 25 | | 30 | |
| | | Formula/Definition | Month 0 | Month 24 | Month 30 | | Month 42 | |
| | | Number of anchor companies (hotels/restaurants) that have committed to increase the use of local suppliers, as evidenced by execution of MOU with the Executing Agency (BHTA). | Source: Report from Consolidator. | | | | | |

| COMPONENT 1 | | | | | | | RISKS |
|-----------------------------------|---|---|--------------------|---------------------|---------------------|-----------------|---|
| Linking Actors in the Value Chain | Indicator 1 | Baseline | Inter Value | (Cumulative) | (Cumulative) | TARGET | MSE suppliers and Anchor Companies may be unwilling to: (i) adapt current practices to meet defined quality standards; (ii) share market information on an ICT Platform. |
| | Number of firms or farms that have adopted new technologies or practices (230100). | 0 | 75 | 0 | 0 | 150 | |
| | Formula/Definition | <i>Month 0</i> | <i>Month 24</i> | - | - | <i>Month 42</i> | |
| | Number of local MSEs graded under BHTA accreditation scheme - for supply to anchor firms of produce/inputs that meet some level of defined quality standards (e.g. food handling/safety; GAP/GMP; post-harvest handling, etc.). | Source: MSE Consolidator Report including accreditation scheme certification records. | | | | | |
| | Indicator 2 | Baseline | Inter Value | (Cumulative) | (Cumulative) | TARGET | |
| | Number of firms or farms receiving training or otherwise strengthened to provide new and/or augmented goods or services (130100). | 0 | 50 | 75 | 150 | 200 | |
| | Formula/Definition | <i>Month 0</i> | <i>Month 18</i> | <i>Month 24</i> | <i>Month 36</i> | <i>Month 42</i> | |
| | Number of firms attending training sessions or workshops. Each unique user should only be counted once, even if they attend more than one training. | Source: Workshop Participant Registration Sheets and Training Materials. | | | | | |
| | Indicator 3 | Baseline | Inter Value | (Cumulative) | (Cumulative) | TARGET | |
| | 1 ICT Platform/Market Place - linking suppliers and anchor companies - developed and launched. | 0 | - | - | - | 1 | |
| Formula/Definition | <i>Month 0</i> | - | - | - | <i>Month 15</i> | | |
| | The online ICT Platform provides the space for registered MSEs and anchor firms to exchange information on business transactions. | Source: Media Coverage of IT Platform launch (compiled by the Consolidator); ICT Platform host report - recording the number of hits and registered users. | | | | | |

| COMPONENT 2 | | | | | | | RISKS |
|--------------------------------|--|---|-------------|--------------|--------------|----------|--|
| Business Exchange & Networking | Indicator 1 | Baseline | Inter Value | (Cumulative) | (Cumulative) | TARGET | MSE suppliers and anchor companies may be unwilling to engage in meaningful dialogue and share industry information. |
| | Number of MSEs/other local suppliers and anchor firms (actual and potential) participating in business exchange and networking events and activities. | 0 | 50 | 150 | 250 | 300 | |
| | Formula/Definition | Month 0 | Month 12 | Month 24 | Month 36 | Month 42 | |
| | Business enterprises will be provided with an opportunity to communicate and network via three main channels: (i) structured value chain dialogue; (ii) sector networking and market matching forum; and (iii) social media sites. | Source: Number of visitors to social media sites; records of participants attending (i) sector networking and market-matching forums; (ii) structured value chain dialogue. | | | | | |
| | Indicator 2 | Baseline | Inter Value | (Cumulative) | (Cumulative) | TARGET | |
| | Number of bilateral value-chain dialogue/events promoting business exchange and future needs of the sector. | 0 | 2 | 4 | 6 | 8 | |
| | Formula/Definition | Month 0 | Month 12 | Month 24 | Month 36 | Month 42 | |
| | Number of events held which focus on bilateral value chain dialogue. | Source: Forum Reports/Minutes (prepared by MSE Consolidator). | | | | | |

| COMPONENT 3 | | | | | | | RISKS |
|------------------------------------|---|---|--------------------|---------------------|---------------------|---------------|---|
| Development of a Financial Product | Indicator 1 | Baseline | Inter Value | (Cumulative) | (Cumulative) | TARGET | MSEs may be unwilling to pay fees or interest charges required to implement financial solution. |
| | A financial solution that offers a factoring service and/or other facilities to reduce payment cycle for local MSEs supplying anchor firms is implemented. | 0 | - | - | - | 1 | |
| | Formula/Definition | Month 0 | - | - | - | Month 24 | |
| | Source: Report prepared by Consolidator. | | | | | | |
| | Indicator 2 | Baseline | Inter Value | (Cumulative) | (Cumulative) | TARGET | |
| | Number of firms or farms receiving training or otherwise strengthened to provide new and/or augmented goods or services (130100). | 0 | | 50 | | 100 | |
| | Formula/Definition | Month 0 | - | Month 24 | - | Month 42 | |
| | Number of MSEs attending training in financial literacy and/or business management. Each unique user should only be counted once, even if they attend more than one training. | Source: Workshop Participant Registration Sheets and Training Materials. | | | | | |

| COMPONENT 4 | | | | | | | RISKS |
|-------------------------|---|--|-------------|--------------|--------------|----------|--|
| Knowledge Dissemination | Indicator 1 | Baseline | Inter Value | (Cumulative) | (Cumulative) | TARGET | Efficient data collection and analysis may not be available for the development of the case study. |
| | Number of institutions that access the case study (150200). | 0 | - | - | - | 50 | |
| | Formula/Definition | Month 0 | - | - | - | Month 42 | |
| | BHTA will disseminate the case study and other relevant knowledge products to national tourism associations affiliated with the CHTA; as well as to organizations/firms that are members of the BHTA. | Source: Number of institutions the case study is distributed to. | | | | | |
| | Indicator 2 | Baseline | Inter Value | (Cumulative) | (Cumulative) | TARGET | |
| | Number of people who access at least one of the infographics (110200). | 0 | - | - | - | 100 | |
| | Formula/Definition | Month 0 | - | - | - | Month 42 | |
| | | Source: Downloads from BHTA website and number of people the case study is distributed to by email or print out. | | | | | |

ANNEX II: DETAILED BUDGET
Project Number:
Project Name:
Beneficiary Organization:
BA-M1012
Linking MSEs to Anchor Companies in the Barbados Hotel Value Chain
Barbados Hotel and Tourism Association (BHTA)

| Components and Activity costs | Unit of Measure | Quantity (# LOE) | Cost per Unit | TOTAL | MIF | Retroactive Recognition BHTA | BHTA | | TOTAL Counterpart |
|--|-----------------|---------------------|---------------|----------------|----------------|------------------------------------|----------------|----------------|----------------------|
| | | | | | | | In kind | Cash | |
| Component 1: Component I: Linking Actors in the Value Chain. | | | | 330,750 | 177,500 | 1,750 | 25,000 | 128,250 | 153,250 |
| Activity 1.1 Conduct of Baseline Study | Days | 25 | 250 | 6,250 | | 1,750 | 6,250 | | 6,250 |
| Activity 1.2 Contracting of MSE Consolidator | Months | 42 | 6,000 | 252,000 | 126,000 | - | | 126,000 | 126,000 |
| Activity 1.3 Develop Accreditation /Quality Assurance Scheme | Days | 40 | 250 | 10,000 | | - | 10,000 | | 10,000 |
| Activity 1.4 Logo Design | Prize | 1 | 2,000 | 2,000 | | | 2,000 | | 2,000 |
| Activity 1.5 Conduct Training and Support for local MSEs | Workshops | 30 | 550 | 16,500 | 9,000 | | 5,250 | 2,250 | 7,500 |
| Activity 1.6 Business Case Analysis for Centralized Facility | Days | 20 | 500 | 10,000 | 10,000 | | | | - |
| Activity 1.7 Design, Host & Maintain ICT Platform | Days | 40 | 350 | 14,000 | 14,000 | | | | - |
| Activity 1.8 Specialist Support for MSE Consolidator | Days | 37 | 500 | 18,500 | 18,500 | | | | - |
| Activity 1.9 Production of How To Guide | Activity | 1 | 1,500 | 1,500 | | | 1,500 | | 1,500 |
| Component 2: Business Exchange and Networking | | | | 131,610 | 77,060 | 26,250 | 16,300 | 30,250 | 54,550 |
| Activity 2.1 Project Launch | Event | 1 | 1,500 | 1,500 | 1,500 | | - | - | - |
| Activity 2.2 PR - Marketing (incl. Social Media) Campaign Design & Content Development | Activity | 1 | 15,000 | 15,000 | 7,500 | | 7,500 | | 7,500 |
| Activity 2.3 Management of PR - Marketing (inc. Social Media) & related visibility & awareness building events | Months | 42 | 1,430 | 60,060 | 60,060 | | | | - |
| Activity 2.4 Value Chain Dialogue Sessions | Activity | 8 | 350 | 2,800 | | | 2,800 | | 2,800 |
| Activity 2.5 Sector Networking and Market Matching Forums | Event | 4 | 2,500 | 10,000 | - | | 6,000 | 4,000 | 10,000 |
| Activity 2.6 Best Practice Exchanges | Activity | 4 | 4,000 | 16,000 | 8,000 | | 8,000 | | 8,000 |
| Activity 2.7 Showcasing local MSE supplies to anchor firms/key industry stakeholder ("Chefs Table" & other promotional events) | Activity | 3 | 8,750 | 26,250 | | 26,250 | | 26,250 | 26,250 |
| Component 3: : Development of a Financial Product: | | | | 19,400 | 7,400 | - | 6,400 | 5,600 | 12,000 |
| Activity 3.1 Development of Financial Mechanisms/Products | Activity | 1 | 5,000 | 5,000 | | - | 5,000 | | 5,000 |
| Activity 3.2 Financial literacy/Business Mg Training for MSEs | Workshops | 8 | 550 | 4,400 | 2,400 | | 1,400 | 600 | 2,000 |
| Activity 3.3 Piloting of Financial Solution | Activity | 1 | 10,000 | 10,000 | 5,000 | | | 5,000 | 5,000 |
| Component 4: Knowledge Management and Knowledge Dissemination | | | | 17,000 | 4,500 | - | 12,500 | - | 12,500 |
| Activity 4.1 Production of Detailed 1 Case Study | Days | 10 | 250 | 2,500 | - | | 2,500 | | 2,500 |
| Activity 4.2 Production of 2 Infographics | Activity | 2 | 2,250 | 4,500 | 4,500 | | | - | - |
| Activity 4.3 Presentation of Results in Local Forums | Activity | 8 | 250 | 2,000 | | - | 2,000 | | 2,000 |
| Activity 4.4 Presentation of Results in Regional Forums | Activity | 4 | 2,000 | 8,000 | | | 8,000 | | 8,000 |
| Project Execution Unit | | | | 112,860 | 64,560 | - | 48,300 | - | 48,300 |
| Project Assistant - fiduciary, administrative & general support | Months | 42 | 1,430 | 60,060 | 60,060 | | | | - |
| Project Administrative Overheads | Months | 42 | 1,150 | 48,300 | | | 48,300 | | 48,300 |
| Laptops | Units | 2 | 1,500 | 3,000 | 3,000 | | - | | - |
| Projector | Units | 1 | 1,500 | 1,500 | 1,500 | | | | - |
| Auditing, Evaluation & Contingencies | | | | 65,000 | 61,000 | | 4,000 | - | 4,000 |
| Interim Evaluation | Days | 30 | 400 | 12,000 | 12,000 | | | | - |
| Consultations & Workshops on Sustainability | Activity | 4 | 1,000 | 4,000 | | | 4,000 | | 4,000 |
| Development of Strategic and Business Plan for Sustainability | Days | 20 | 350 | 7,000 | 7,000 | | | | - |
| Final Evaluation | Days | 30 | 400 | 12,000 | 12,000 | | | | - |
| Fiduciary Support & Audit | Activity | 1 | 10,000 | 10,000 | 10,000 | | | | - |
| Contingencies | | | 20,000 | 20,000 | 20,000 | | | | |
| SUB TOTAL | | | | 676,620 | 392,020 | 28,000 | 112,500 | 164,100 | 284,600 |
| Impact Evaluation | 5% | 5% | | 19,601 | 19,601 | | | | \$0.00 |
| Contribution to Agenda Account | | | | 5,000 | 5,000 | | | | \$0.00 |
| TOTAL PROJECT COSTS (US\$) | | | | 701,221 | 416,621 | 28,000 | 112,500 | 164,100 | 284,600 |
| Contribution % | | | | 100% | 58% | 4% | 17% | 24% | 42% |

QED - (Quality for Effectiveness in Development)

Donors Memorandum

October 24, 2014

SECTION 1: PROJECT SUMMARY

| | |
|---|--|
| PROJECT NAME: Linking MSEs to Anchor Companies in the Barbados Hotel Value Chain | Project Number: BA-M1012 |
| DESIGN TEAM LEADER: VASHTIE DOOKIESINGH | DEU OFFICER: NAWAR, MARIA ELENA |

SECTION 2: QED DETAILS

| | |
|--|------------|
| 1. MIF Strategic Development Objectives Dimension | 6.7 |
| Relation to the Agenda's Objectives | |
| 1.1. There is a causal relation between project objective and the agenda's objective. | 2 |
| 1.2. The project has potential for scalability after execution. | 2 |
| Specific benefits for women | |
| 1.3. The project has specific benefits for women. | 1 |
| Specific benefits for the environment | |
| 1.4. The project has specific benefits for the environment (GHG reduction, water savings, conservation, biodiversity). | 0 |
| Relation to the MIF's Objectives | |
| Target 1: Private Sector Development | |
| 1.5. Innovation | 2 |
| 1.6. Creating Markets and Adding Market Players | 2 |
| 1.7. Entrepreneurship | 2 |
| 1.8. Building Private Institutional Capacity | 2 |
| 1.9. Technology & Human Capital | 2 |
| 1.10. Higher Standards of Corporate Governance | 1 |
| 1.11. Strengthening Legal and Regulatory Framework | 0 |
| 1.12. Development of financial institutions and financial markets | 1 |
| 1.13. Improved access to basic services | 0 |
| Target 2: Targeting the poor | |
| 1.14. The project will be implemented in a region with a high incidence of poverty (poverty map resources http://mif.iadb.org/poverty/home) or target beneficiaries from the poor strata | 1 |
| 2. Additionality Dimension | 7.0 |
| 2.1. MIF non-financial contribution is critical for developing the project. | 2 |
| 2.2. MIF financial contribution is critical for developing the project (there is little or no alternative funding) | 2 |
| 2.3. MIF participation will mobilize counterpart funding that otherwise won't be available. | 1 |
| 2.4. MIF participation will likely improve project structure by providing technical advice, institutional credibility and/or lessons learned/best practices from other MIF projects | 2 |
| 2.5. MIF participation will likely strengthen the institution(s) directly involved with the project | 0 |
| 3. Project Diagnosis Dimension | 9.5 |

| | |
|--|-------------|
| Diagnostic of the problem | |
| 3.1. The problem or need that the project attempts to address has been clearly identified in consultation with stakeholders (borrowers, executing agencies, male and female beneficiaries, other interested parties) | 2 |
| 3.2. The causes of the problem, their interrelationships and magnitudes are clearly identified | 2 |
| Proposed Solution | |
| 3.3. The proposed solution is logically connected and related to the magnitude of the problem | 2 |
| 3.4. Relevant lessons learned from previous similar interventions in this country or other country (PSRs, ASRs, mid-term evaluations, final evaluations or other evaluation document) are taken into consideration | 2 |
| 3.5. Evidence is provided as to the effectiveness of the intervention proposed based on experience in other settings, or previous experience in the same setting | 1 |
| 4. Logical Framework Quality Dimension | 8.5 |
| 4.1. The desired impact of the project is clearly stated in the logic framework | 2 |
| 4.2. The result of the project contributes to the achievement of the impact and is clearly stated in the logic framework | 2 |
| 4.3. The components contribute to the achievement of the results and include the necessary outputs to attain the purpose | 2 |
| 4.4. A baseline value or a predetermined starting point has been identified for each relevant indicator, as well as intermediate values, target values and sources of data or a plan for collecting them | 1 |
| 4.5. Indicators are SMART (Specific, Measurable, Achievable, Realistic and Time-Bound) | 2 |
| 4.6. The source, or means for collecting data (for outcomes, outputs and activities) actually exist, either with the executing agency or in any other external or internal source | 1 |
| 4.7. The risks for the execution of the project and the achievement of the objectives have been identified | 2 |
| 5. Risks Dimension | 10.0 |
| 5.1. The experience and the skills of the executing agency have been evaluated | 2 |
| 5.2. The risks for the execution of the project and the achievement of the objectives have been identified | 2 |
| 5.3. All risks have identified proper mitigation measures which can be tracked during project implementation | 2 |
| 5.4. Compliance with IDB environmental/social policies | 2 |
| 6. Monitoring & Evaluation, and Strategic Communication Dimension | 8.5 |
| Monitoring & Evaluation | |
| 6.1. Monitoring mechanisms have been planned and budgeted | 2 |
| 6.2. The project has an evaluation plan | 2 |
| 6.3. The evaluation questions are defined | 1 |
| 6.4. The evaluation type/ methodology is defined | 1 |
| 6.5. Results potential | 2 |
| 6.6. Impact Potential | 1 |
| Knowledge Sharing & Communication | |
| 6.7. The audiences and the desired action of the audiences as a result of the communication strategy have been identified | 2 |
| 6.8. The message and the communication channels that the communication strategy will convey are clearly defined and appropriated according to the different audiences identified | 2 |
| 6.9. The knowledge sharing products are defined and appropriate to the different audiences | 2 |

| | |
|--------------|------------|
| TOTAL | 8.4 |
|--------------|------------|

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK
MULTILATERAL INVESTMENT FUND

PROPOSED RESOLUTION MIF/DE-___/14

Barbados. Nonreimbursable Technical Cooperation ATN/ME-____-BA
Linking MSEs to Anchor Companies in the Barbados Hotel
Value Chain

The Donors Committee of the Multilateral Investment Fund

RESOLVES:

1. That the President of the Inter-American Development Bank or such representative as he shall designate is authorized, in the name and on behalf of the Bank, as Administrator of the Multilateral Investment Fund, to enter into such agreements as may be necessary with the Barbados Hotel and Tourism Association (BHTA), and to take such additional measures as may be pertinent for the execution of the project proposal contained in document MIF/AT-___ with respect to technical cooperation for linking MSEs to anchor companies in the Barbados hotel value chain.
2. That up to the amount of US\$416,621 or its equivalent in other convertible currencies, shall be authorized for the purpose of this resolution, chargeable to the resources of the Multilateral Investment Fund.
3. That the above-mentioned sum is to be provided on a nonreimbursable basis.

(Adopted on __ _____ 2014)