

## **TERMS OF REFERENCE**

### **Strengthening the Central American and Dominican Republic SBDC Network and its Internationalization (RG-T3256)**

*Beneficiary Countries: El Salvador, Guatemala, Honduras and the Dominican Republic*

#### **1. Background and Justification**

- 1.1. According to studies conducted by the Inter-American Development Bank in 2013 and 2014<sup>1</sup>, in Latin America, public policies on innovation and technology "have often focused their efforts on promoting investment in research and development and have provided less attention and resources to programs aimed at disseminating and assimilating technology in small and medium-sized companies". Moreover, within Latin America and the Caribbean, SMEs in countries such as El Salvador, Dominican Republic, Honduras and Guatemala did not fare comparatively well in basic technology adoption indicators. For example, while only 35% of small firms in these four countries have their own website and 72% interact with their clients and supplies through email, the average for South American countries is 61.5% and 92%, respectively.<sup>2</sup> In this context, it is necessary to make available to SMEs in Latin America public policy instruments that take into consideration the characteristics of the business structure of the region and define relevant interventions in technological advice and innovation for diverse types of businesses.
- 1.2. With the support of the US Federal Government through the Small Business Administration (SBA) and various state and local agencies, the Small Business Development Centers (SBDC) program constitutes the main source of technical and managerial assistance for small businesses in the United States, promoting growth, innovation, productivity, diversification, and increased revenue for small businesses through improvements in their business practices, technology, and management practices. The SBDC program is a collaborative effort between the public, academic, and private sectors, with the support of the US federal, state, and local government agencies, which jointly invest in efforts to guarantee the sustainability of the program and maximize its efficiency. The national network of SBDCs in the US assists over a million US business clients per year with more than 900 services delivery points, to create more than 98,660 jobs, open 17,207 new businesses, generate US\$ 7.1 billion in new sales, and secure US\$ 4.7 billion in new financing in 2017. As a result, the national SBDC network generated fiscal revenues of more than US\$ 615 million, yielding a return of US\$ 2.79 per dollar invested in the program.

---

<sup>1</sup> IDOM Consulting 2014, "Servicios de Extensión Tecnológica: Análisis y propuesta para la mejora de los SET en cinco casos de estudio en América Latina", Washington DC: mimeo para el Banco Interamericano de Desarrollo; Shapira P., Youtie J., Cox D., Uyarra E., Abullah G., Rogers, Downing C., 2015, "Institutions for Technology Diffusion", Inter-American Development Bank, Technical Note N.IDB-TN-832.

<sup>2</sup> Own calculations based on World Bank Enterprise Surveys. Available at: <http://www.enterprisesurveys.org/data>

- 1.3.** Because their goals are not defined by the number of firms supported but by the incremental growth in sales and employment of those small businesses, the SBDC program focuses on supporting formal firms with high growth potential. Since SMEs are disproportionately affected by market failures related to lack of information about optimal business practices, technology, market strategy, access to finance, etc., their performance can be substantially improved through direct interventions, such as the SBDC program, that help these firms overcome those market failures. Moreover, one of the key performance indicators used by SBDCs is the aggregate impact of all the companies with which the SBDCs work. Success of SMEs supported by SBDC also has a positive demonstration effect in other firms. These spillover effects also contribute to the program's impact at the microeconomic level, which can also add considerably to the overall macroeconomic impact on growth and productivity that the beneficiary countries need. For example, Stuchi, et. al (2014) show that small and medium firms that received technical assistance by the FONTAR program in Argentina not only increased employment and wages, but also workers who were working on those firms and then moved to other SMEs, brought with them new knowledge that improved performance of the new firms<sup>3</sup>.
- 1.4.** Since 2003, the University of Texas at San Antonio (UTSA), through its Institute for Economic Development, has been hosting one of the most successful SBDC programs in the United States and has been the leading institution in promoting and expanding the SBDC model throughout Latin America. The SBDC network development process in these countries follows five phases: i) Start -Up: introducing the SBDC model to the SME authorities and stakeholders to secure a national commitment to adopt the methodology in the hosting country; ii) Transfer: training future advisors and directors on how to operate successful centers and assisting national SME authorities in funding, administering, and launching a national network; iii) Implementation: guiding the launch of a pilot network of SBDCs and assisting with national network administration at the Ministry level; iv) Consolidation: creating accreditation quality standards, generating economic impact results and developing a sustainable funding and legal framework for the national SBDC network; and v) Internationalization: applying the SBDC methodology to export promotion and linking SMEs clients to trade opportunities among Small Business Network of the Americas (SBNA<sup>4</sup>) countries.<sup>5</sup> Institutionally, participating countries provide the operating budgets for their Center networks from domestic resources, typically with Ministries funding about 50%, matched by universities, local agencies and private sector, for an integrated and sustainable Public-Private-Academic partnership structure.
- 1.5.** Due to this effort to expand the model to other countries in the region, since 2010, the Government of El Salvador and UTSA adapted the SBDC model and opened the first pilot projects in the country. In 2017, with 14 centers operating in El Salvador, as a result of the interventions carried out by these centers, firms created 2,343 new jobs, and generated additional sales of US\$ 22.2 million dollars<sup>6</sup>. New SBDC programs have also been adopted in

---

<sup>3</sup> Knowledge Spillovers of Innovation Policy through Labor Mobility: An Impact Evaluation of the FONTAR Program in Argentina. Stucchi, R. Rojo, S. Maffioli, A. Castillo, V. IDB Working Paper Series IDB-WP-488. 2014

<sup>4</sup> SBNA is comprised of small business service providers helping more than two million entrepreneurs create jobs locally by connecting globally. Through SBNA, these centers of expertise connect with many of their counterparts throughout the Americas and extend their businesses' links beyond national borders

<sup>5</sup> Institute for Economic Development –University of Texas at San Antonio, Small Business Network of the Americas, San Antonio, 2017.

<sup>6</sup> Informe de Centros de Atención MIPYME de Centroamérica y República Dominicana, Resultados e Impactos 2016, CENPROMYPE 2017.

Guatemala, Honduras, Dominican Republic and, more recently, in Colombia and Chile<sup>7</sup>. The potential growth impact for SMEs is clearly illustrated in the case of Chile, where 50 new centers were implemented in 2015-2016. These centers managed to generate, up until the end of 2017, an increase in sales of the companies served by more than US\$44 million, 3,180 new formal jobs and a ratio of US\$2.2 of incremental sales for every dollar of public resources invested<sup>8</sup>. It is important to point out that when promoting growth in employment, production and sales of formal SMEs, especially in this region (thus transferring resources and productive factors from informal to formal sector firms<sup>9</sup>), interventions such as the SBDC program also contribute to the increase in aggregate productivity, since formal SMEs tend to be substantially more productive than their informal sector counterparts. Ibarrán, Maffioli and Stuchi (2009) find that a properly targeted SME policies can induce an increase of 5.7% in aggregate productivity, mostly due to resource reallocation towards more productive firms<sup>10</sup>.

- 1.6. The institution that has coordinated this effort in the Central American countries has been the *Centro Regional de Promoción de la MIPYME (CENPROMYPE*, which is part of Central American Integration System - SICA<sup>11</sup>) which, in 2011, together with UTSA, began the transfer of the SBDC<sup>12</sup> model to the countries of the SICA region in coordination with key actors from the public, private and academic sectors. The existence of a network of SBDCs in Central America and the Dominican Republic has generated added value in terms of strengthening the political dialogue between the authorities promoting SMEs, the development of a common agenda for the region, and a more efficient use of resources through the implementation of services and common tools for the centers in the region. Currently, the SBDCs network in Central America is trying to strengthen its centers both nationally and regionally, through standardizing the quality of services, certification of SBDC advisers and directors, and centers' accreditation.
- 1.7. In this context, IDB through its Competitiveness, Technology and Innovation Division approved a Regional Technical Cooperation (TC) with the main goal of further consolidating the centers in countries where the SBDC model has been implemented and where there is already a significant track record of program implementation<sup>13</sup>, both at the country and regional network levels. Strengthening the quality of services delivered by the SBDCs, as well as their operation and administration, would allow them to grow, develop and improve the quality, scope and relevance of the services they provide to SMEs, bringing them closer to the level of the SBDCs operating in in the United States. Furthermore, the consolidation of the SBDCs is expected to promote growth, innovation, productivity, and competitiveness of small

---

<sup>7</sup> U.S. State Department initiative "Small Business Network of the Americas," [\(pdf report attached\)](#) 2017 Progress Report by UTSA.

<sup>8</sup> Centro de Sistemas Públicos, Departamento de Ingeniería Industrial, Facultad de Ciencias Físicas y Matemáticas, Universidad de Chile, "Evaluación de Impacto de los Centros de Desarrollo de Negocios en Chile", Santiago de Chile, January 2018.

<sup>9</sup> The TC will include an exploratory study in one of the participating countries to better understand this mechanism of improving aggregate productivity. Specifically, it will explore the extent to which growth in formal SMEs supported by the SBDC program contributes to transferring productive resources (particularly labor) from less productive informal firms to growing formal SMEs.

<sup>10</sup> Ibarrán, Pablo, Alessandro Maffioli, and Rodolfo Stucchi. "SME policy and firms' productivity in Latin America", IDB, 2009.

<sup>11</sup> SICA - Sistema de Integración Centroamericana.

<sup>12</sup> The SBDCs in El Salvador are called CDMYPE, Centros de Desarrollo de Micro y Pequeña empresas.

<sup>13</sup> These countries are El Salvador, Guatemala, Honduras and the Dominican Republic. According to the "Informe de Centros de Atención MIPYME en Centroamérica y República Dominicana, 2017", Guatemala had 7 SBDCs in 2017, which served 2,420 SMEs. In El Salvador, 14 SBDCs served 2,718 SMEs. In Honduras, 13 SBDCs, including 2 new ones, served 4,594 SMEs that generated 9,068 additional jobs. Finally, in the Dominican Republic there are now 12 SBDCs (7 of which newly opened in 2017), which served 958 SMEs.

businesses in Central America and Dominican Republic. The first component's main activities are related to the evaluation of the current status of the SBDCs in the participating countries and the design of an action plan to improve their services. The second component will implement the agreed-upon action plan and strengthen the link of the network with external SBDCs networks. Finally, the third component will contribute to create and help implement a communication and dissemination strategy.

- 1.8. A separate external consultancy will evaluate the current state of the Central American and Dominican Republic network of SBDCs and the capacity of the SBDCs in each country to participate in and benefit from this network. Additionally, that consultancy will develop a demand study and a proposal to improve the network and the systematization of the best practices and lessons learned in the transfer and implementation processes of these centers, including ways to support companies in improving their access to finance to support the development and growth of their businesses, a strategy to mainstream gender issues in the operation of the centers, ways to promote the digitization of beneficiary firms in each country and improve their access to finance.

## 2. **Objectives**

The objectives of this consultancy are:

- a. Accompany and provide technical support to the external evaluation of the SBDCs.
- b. To collaborate with the participating countries and the IDB in the design of the action plan to strengthen the participant countries' SBDCs, using as key inputs the results of the external evaluation to be conducted through the first component of this TC.
- c. Work with the SBDC program implementing agencies in the participating countries in order to provide technical support for the implementation of the action plan agreed among the different stakeholders for the strengthening of their SBDC centers and networks, both at the national and regional levels, in regards to improving the level of the professional and managerial staff of the SBDCs through training, support for the accreditation of the SBDCs, contributing to improve their strategy for expanding the scope and coverage of their services to SMEs, collaborating with national authorities in setting up new specialized service areas in the SBDCs (such as in foreign trade, innovation, access to finance, women-led or owned firms, and SME participation in procurement of goods and services at the various government levels), among other aspects to be identified in the Action Plan.
- d. Continue to deepen the transfer of expertise, knowledge and best practices of the US SBDC model to the SBDC programs and centers in the participating countries, including policies to foster women or minority-led firms, employment and professional development.
- e. Facilitate and accompany the interaction of the network with other SBDC networks in the Latin America and the Caribbean region and the United States.
- f. Contribute to the design of a communication and dissemination strategy for the SBDC network in the participating countries and periodically organize workshops to foster knowledge transfer and the sharing of lessons learned in the implementation of this TC among the participating countries.

## 3. **Scope of Services**

- 3.1. For the development of this consultancy, the consulting services institution will accompany the evaluation of the SBDCs and contribute to the design of the Action Plan alongside the different stakeholders of the SBDC network in the participating countries and CENPROMYPE, based on the results of the external evaluation. The consulting services institution should provide its knowledge and expertise in the development and implementation of the SBDC model in both the US and the Central American region in order to help design a viable Action Plan that meets the objectives of this TC.
- 3.2. Collaborate with the executing agencies in the participating countries and with CENPROMYPE as the main provider of technical and advisory services in the implementation of the Action Plan, including advancements in standardization in services' quality, certification of SBDC managers and team, certification of the SBDCs, and improving the selection criteria and processes for the target beneficiary SMEs to maximize the potential benefits of SBDC services provided to SMEs in the region.
- 3.3. Facilitate and accompany the interaction of the network with other SBDC networks within Latin America and the Caribbean and the United States. The consulting services institution will coordinate with the national and regional networks in the selection of the external networks considered to be more relevant for deepening collaborative links in order to strengthen and improve the Central American SBDC network.
- 3.4. Contribute to the design and implementation of a communication and dissemination strategy for the SBDC network in the selected countries, including the systematization and sharing of lessons learned during the implementation of this project.
- 3.5. Periodically submit progress reports to the different stakeholders, including the IDB.  
In order to have fluency in the relationship between all stakeholders, the consulting services institution will hire, in agreement with CENPROMYPE, a local consultant to be based in CENPROMYPE to coordinate the implementation this project during its execution (36 months). This consultant is expected to be based in one of the selected countries and it is expected to be hired on a part-time bases, devoting up to 50% of his or her time to the project activities and coordination.

### **Key Activities**

The consulting services institution will develop the following activities for each component of the TC:

#### **Regarding the evaluation of the SBDCs and its network (Component 1)**

- a) Accompany and provide technical support to the external evaluator.
- b) Provide information and know-how to the external evaluator.

#### **Regarding the design of the Action Plan for the SBDCs National and Regional Networks (Component 1)**

- a) Provide the know-how and expertise to help in the design the Action Plan.
- b) Facilitate the coordination between stakeholders in the final design of the Action Plan.
- c) Validate the viability of the proposed Action Plan with the different stakeholders.

#### **Regarding the implementation of the Action Plan (Component 2):**

- a) Coordinate with the different stakeholders the implementation of the Action Plan, including expected times, resources, etc.
- b) Collaborate as the main provider of technical and advisory services with the participating countries' executing agencies and CENPROMYPE in the implementation of the Action Plan,

including, if agreed in the Action Plan, aspects such as the standardization in services' quality, certification of SBDC managers and professional teams, accreditation of the SBDCs, development of women or minority-led or owned businesses, and the improvement of the targeting and the selection process of beneficiary SMEs.

- c) Define, together with the national and the regional networks, which other networks in Latin America and the United States it would be in their best interest to interact with and deepen their links. The consulting services institution will facilitate such interactions and will help to establish an effective mechanism to formalize such collaboration in the future.

#### Regarding of the communication and dissemination strategy (Component 3)

- a) Meet and coordinate with the different stakeholders to identify barriers in their programs' current communication and dissemination strategy.
- b) Validate data collection strategies by SBDCs in order to identify results and impacts of SBDC services provided to SMEs.
- c) Present reports and supporting data to improve the dissemination of results and lessons learned from the project implementation and the activities of the SBDCs in each participating country and the regional SBDC network.
- d) Contribute to the design of a communication and dissemination strategy validated by all key project stakeholders.

The consulting services institution will organize workshops to make periodic presentations of the TC implementation and results of the Action Plan for the SBDCs, with participation of the local executing agencies, CENPROMYPE, the IDB and other relevant stakeholders.

#### **4. Expected Outcomes and Deliverables**

The consulting services institution should produce the following deliverables:

- a) A Working Plan, including a methodological and implementation strategy document, timeline, main activities to be carried out, TC expected results and outcomes.
- b) Bi-monthly reports with a summary of activities and progress in the implementation of the initial evaluation activities and the Action Plan.
- c) Provide reports on the interaction of the local networks with external SBDCs networks.
- d) A validated communication and dissemination strategy.
- e) Conduct at least 4 workshops to present partial and final results of the implementation plan.
- f) Submit a final project implementation report agreed with the IDB, the local executing agencies, and CENPROMYPE.

#### **Project Schedule and Milestones**

**4.1.** The schedule of key deliverables and milestones for this project will be as follow:

DERIVERABLES	MEANS OF VERIFICATION	TIMELINE (since the signing of the contract)
Working Plan and Methodology	Document with Working Plan and Methodology	1 month
Project implementation activities and Progress Reports	Bi-monthly progress reports detailing activities and milestones achieved	Every 2 months
Communication strategy	Documents and workshops to be carried out in the participating countries	30 months
Presentation of Final Results	Final Report Document and Meeting for the Presentation of Final Results	36 months

## 5. Selection process

Pursuant to the provisions of paragraph 3.10, section (d) of the Bank's Policies for the selection and hiring of consultants (GN 2350-9), the direct contracting of the Institute for Economic Development at the University of Texas at San Antonio, for up to US\$ 300,000, is envisaged under Component 2, Strengthening the Central American and Dominican Republic SBDC Network and its internationalization, and Subcomponents 3.a and 3.c, Communication and Dissemination Strategy and Dissemination Meeting and Workshops, respectively. As part of the services expected from this contract, UTSA will also accompany and support the consultancy to be contracted for the external evaluation and to provide inputs for the design of the Action Plan envisaged under Component 1. This consultancy will be developed by the University of Texas at San Antonio (UTSA) through its Institute for Economic Development due to its unique expertise in housing the regional SBDC program and its key role and experience in the implementation of the SBDC model throughout Latin America and the Caribbean. UTSA has led the efforts to build a network of small business centers across the region, in collaboration with the U.S. State Department, the Organization of American States (OAS) and economic development agencies in the LAC region. To date, 20 countries are engaged in adapting and linking with the Small Business Development Center model. Participating LAC countries include, among others, Mexico, Guatemala, El Salvador, Honduras, the Dominican Republic, Belize, Jamaica, Barbados, St. Lucia, Dominica, Colombia, Peru, Brazil, Argentina, Uruguay, Paraguay and Chile.

This unique experience makes the UTSA the only institution capable of providing the necessary technical and coordination services in support of the implementation of this TC in a timely, economical and technically sound manner.

## **6. Report Delivery and Acceptance**

- 6.1. The consulting services institution will electronically deliver the document reports for each stage of the consultancy to the IDB project team leader, the implementing agencies in the participating countries and CENPROMYPE for their review and comments. Participants' comments to the documents will be discussed, agreed upon and incorporated in the final versions of each document report.

## **7. Supervision and Reporting**

- 7.1. The person at the IDB responsible for the consultancy and the comments to the reports to be delivered by the consulting services institution will be Gregorio Arevalo, Principal Economist of the Competitiveness, Technology and Innovation Division at IDB (CTI). It will be the consulting services institution's responsibility to ensure that all required meetings in the countries are coordinated and conducted and the progress reports are timely submitted to the Bank and all project participating organizations.

## **8. Schedule of Payments**

- 8.1. This is a lump-sum contract, for up to US\$ 300,000, which include all services, fees, overhead, subcontracting, travel, and any other expenses incurred during the execution of the project as described in these Terms of Reference. Payments will be based on the achievement of key project milestones or deliverables, according to the Payments Schedule below. All payments will be made in US dollars.

<b>Payments Schedule</b>	
<b><i>Project Key Milestones and Deliverables</i></b>	<b>Payments (%)</b>
1. Contract signed and working plan and methodology report submitted	10%
2. Submission of the Action Plan agreed with participating countries' executing agencies, CENPROMYPE and the IDB under Component 1 of the TC	10%
3. Implementation of the activities included in the agreed-upon Action Plan under Component 2 of the TC	50%
4. Implementation of actions related to the TC's Component 3 and submission of the agreed-upon communication and dissemination strategy	15%
5. Final results meeting and submission of the Final TC implementation Report, incorporating comments from the IDB, participating countries' executing agencies, and CENPROMYPE	15%
<b>TOTAL</b>	100%

## **TERMS OF REFERENCE**

### **Evaluation of service quality, demand and relevance of the SBDCs in Central America and the Dominican Republic**

**(RG-T3256)**

*Beneficiary Countries: El Salvador, Guatemala, Honduras and the Dominican Republic*

#### **1. Background and Justification**

- 1.2** According to studies conducted by the Inter-American Development Bank in 2013 and 2014, in Latin America, public policies on innovation and technology "have often focused their efforts on promoting investment in research and development and have provided less attention and resources to programs aimed at disseminating and assimilating technology in small and medium-sized companies". In this context, it is necessary to make available to SMEs in Latin America public policy instruments that take into consideration the characteristics of the business structure of the region and define relevant interventions in technological advice and innovation for different types of businesses.
- 1.3** Since 2003, and with the support of the US government and various regional agencies, the University of Texas at San Antonio (UTSA) Institute for Economic Development hosted one of the most successful Small Business Development Centers (SBDC) programs in the United States and has been the leading institution in promoting and expanding the SBDC model throughout Latin America. The SBDCs are the main source of technical and managerial assistance for small businesses in the United States, and promote growth, innovation, productivity, diversification, and increased revenue for small businesses through improvements in their business practices, technology, and management practices. The SBDC is a collaborative effort between the public, academic, and private sectors, with the support of the US federal, state, and local government agencies, which jointly invest in efforts to guarantee the sustainability of the program and maximize its efficiency. In 2015, the national network of SBDCs in the US assisted business clients to create more than 98,660 jobs, open 17,207 new businesses, generate U\$7.1 billion in new sales, and secure U\$4.7 billion in new financing. As a result, the national SBDC network generated fiscal revenues of more than U\$615 million, yielding a return of U\$2.79 per dollar invested in the program.
- 1.4** Similarly, the SBDC model in the US includes the Women Business Development Centers (WBDCs), which are a nationally recognized leader in promoting women's economic development. These centers provide services and programs to support and accelerate women's business ownership and strengthen the impact of women in the economy by creating jobs, fueling economic growth, and building stronger communities. They also aim to increase awareness of women entrepreneurship, promote their economic self-sufficiency, accelerate firms' growth, and stimulate positive public policy changes for women.
- 1.5** Because their goals are not defined by the number of firms supported but by the incremental growth in sales and employment of those small businesses, the SBDC program focuses on supporting formal firms with high growth potential. Since SMEs are disproportionately affected by market failures related to lack of information about optimal business practices, technology, market strategy, access to finance, etc., their performance can be substantially improved through direct interventions, such as the SBDC program, that help these firms overcome those market failures. The potential impact on growth for this important segment of firms is clearly illustrated in the case of Chile, where 50 new centers were implemented in 2015-16. These

centers managed to generate, up until the end of 2017, an increase in sales of the companies served by more than US\$44 million, 3,180 new formal jobs, and a ratio of US\$2.2 of incremental sales for every dollar of public resources invested.<sup>14</sup>

- 1.6** In the Central America and Dominican Republic region, since 2010, the Government of El Salvador and UTSA adapted the SBDC model and opened the first pilot projects in the country. In 2015, with 14 centers operating in El Salvador, as a result of the interventions carried out by these centers, firms created 5,167 new jobs and generated additional sales of U\$ 22.2 million dollars<sup>15</sup>. In 2011, CENPROMYPE and UTSA began the transfer of the CDMYPE / SBDC model to the countries of the SICA region in coordination with key actors from the public, private and academic sectors. By 2015, the SBDCs model expands in the region and El Salvador creates its National Centers network. The existence of this network of SBDCs in Central America and the Dominican Republic has allowed generating added value in terms of strengthening the political dialogue between the authorities promoting SMEs, especially with respect to the business development service delivery model, achieving more support through the presentation as a regional block with a common agenda in front of third parties and the efficiency in the use of resources through the implementation of services and common tools of the Centers in the region. Currently, the SBDCs network in Central America wishes to strengthen its centers through its networks both nationally and regionally, and to be able to apply standardization in the quality of services, certification of advisers and directors and accreditation of the centers. For this reason, it is necessary at this stage of development of the centers to strengthen them at the level of country and regional network in terms of the quality of the services delivered and their operation in order to move towards the new phases incorporating new areas that will allow them to grow and develop closer to the level that today the SBDCs operate throughout the United States.
- 1.7** In this context, IDB through its Competitiveness, Technology and Innovation division approved a technical cooperation (TC) with a main goal to promote growth, innovation, productivity, and competitiveness of small businesses in Central America and Dominican Republic. The specific goal of this TC is to improve the quality and impact of the Small Business Development Centers network in Central America and Dominican Republic, and strengthen small businesses in the region, helping them attain better access to capital, technology, and markets. The TC has 3 components; i) to develop an evaluation of the regional Central American SBDC network and of the SBDCs programs in El Salvador, Guatemala, Honduras and Dominican Republic and conduct a demand study of business services effectively required by SMEs in each country, to assess their individual performance in terms of the quality and relevance of the services SBDCs provide to businesses under the existing methodology and the capacity of each country network to participate in and benefit from the regional Central American network, with a view to propose of an Action Plan to improve the SBDC Central American and the participating countries' SBDC Networks; ii) finance the implementation of the Action Plan for the improvement of the regional SBDC network and the SBDC programs in El Salvador, Guatemala, Honduras and the Dominican Republic resulting from the first component, including in the areas of gender, access to finance and digitalization of firms, and to improve the SBDC model implementation where weaknesses are identified, and iii) develop and implement a communication and dissemination strategy for the regional and country SBDC networks.

---

<sup>14</sup> Centro de Sistemas Públicos, Departamento de Ingeniería Industrial, Facultad de Ciencias Físicas y Matemáticas, Universidad de Chile, "Evaluación de Impacto de los Centros de Desarrollo de Negocios en Chile", January 2018.

<sup>15</sup> Informe de Centros de Atención MIPYME de Centroamérica y República Dominicana, Resultados e Impactos 2016, CENPROMYPE.

## **2. Objectives**

**2.2** The overall goal of this consultancy is to evaluate SBDC centers and networks in El Salvador, Guatemala, Honduras and Dominican Republic to assess their individual performance in terms of the quality and relevance of the services they provide to businesses under the SBDC methodology. This component will also evaluate the regional Central American and Dominican Republic network of SBDCs and the capacity of the SBDCs in each country to participate in and benefit from this network. In addition, the consulting firm will carry out a demand study of services effectively required by current and potential beneficiary SMEs in each country, and proposals to improve the country and regional SBDC networks' services and SME targeting, as well as the systematization of the best practices and lessons learned in the transfer and implementation processes of these centers. On the basis of the evaluation of the SBDCs and of the SME demand study, an Action Plan to be agreed with key stakeholders (including executing agencies in each country, CENPROMYPE, UTSA and the Bank) will be developed. The Action Plan should include specific proposals to better target the beneficiaries of the SBDC country programs in firms with effective growth potential and for the SBDCs to better support beneficiary SMEs improve their access to finance, the development and growth of their businesses, a strategy to mainstream gender issues in the operation of the centers, and ways to promote the digitization of beneficiary firms in each country.

## **3. Scope of Services**

- 3.2** For the development of this consultancy, the consulting firm will make at least one initial trip to the UTSA's Institute for Economic Development and then to each beneficiary country to carry out the field research and necessary data collection, including ad-hoc surveys, on the issues listed. As part of these visits, the consulting firm should select a group of at least five SBDCs to be visited in each participating country and meet not only with the people who manage and operate the SBDCs but also with the clients to whom services have been provided and potential clients who have not yet received support from the centers, in order to evaluate and contrast the relevance, quality and demand for services that these centers currently provide to the services that are effectively demanded and required by the beneficiary SMEs.
- 3.3** It is important that the best practices by these types of centers in the United States and other countries in the Latin American region (such as in Colombia and Chile) be also considered in the diagnostic and proposal for the SBDC improvement Action Plan. As mentioned before, as part of this process, it will be necessary for the consulting firm to conduct a visit to the UTSA's Institute for Economic Development at the onset of their work to ensure knowledge of the US model design and implementation before it carries out its field trips to the participating countries.
- 3.4** The consulting firm must make a presentation either in one of the participating countries or in the US of the final diagnostic of the centers and networks, and of the SBDC improvement Action Plan to be proposed to the specialists of the IDB, the UTSA technical team working with the SBDC programs in Central America, and the government implementation agencies and authorities responsible for the SBDC programs in each participating country, to jointly agree on a final Action Plan for the reinforcement and improvement of the operation and relevance of the individual SBDCs in each country, for the network of centers within the countries and for the Central American SBDC network. This agreed-upon improvement Action Plan would be implemented through the second component of this Regional TC.

#### **4. Key Activities**

- 4.1 The consulting firm will carry out an initial mission to visit the 4 beneficiary countries to collect data on a sample of centers (at least five centers per country) in each country, conduct a dialogue with the executing agencies responsible for the implementation of the SBDC program in each country and also with the regional Central American SBDC network based in CENPROMYPE. I will also carry out additional visits as may be required to evaluate their performance in terms of the quality and relevance of the services they provide to SMEs, and to be able to answer, at a minimum, the following questions:

##### Regarding the SBDCs centers in each country

- c) What kind of services are the SBDCs providing?
- d) What kind of clients are they reaching? (type of business, sectors, size, sales, etc.)
- e) What kind of professionals are staffing these centers? (academic and professional profile, gender, and experience)
- f) What kind of contract do the specialists of the centers have and for how long, and are their salaries competitive in their respective markets to attract professionals with the knowledge and quality required?
- g) What type of support (financial, methodological, etc.) do the executing agencies actually provide to the SBDCs in each country?
- h) What type of information do the SBDCs collect on their beneficiaries? Is there information on women and minority beneficiaries? How well do they use the information? Do they follow up with beneficiaries after receiving services?
- i) How do SBDCs make decisions regarding new services?
- j) How do SBDCs maintain updated their professional services for the benefit of the SMEs they serve?
- k) What management practices do SBDCs follow within their organizations? Are these good practices? Which management practices would SBDCs need to follow to improve their services?

##### Regarding the SBDC programs and networks within each country and at the regional level:

- d) Do the SBDCs act as network within each country, and what kind of interactions do they have?
- e) What is the role of CENPROMYPE within the Central American network of SBDCs?
- f) What is the extent of local agencies' participation in the Central American network?
- g) Is there transfer of technology, best practices and experiences in the SBDCs network?
- h) How effectively is the SBDC accreditation process being implemented, and to what extent? Is this process having an impact in improving SBDCs in each country? What changes would be required in order to make the accreditation process have a greater impact?
- i) What is the role of the UTSA in the Central American network of SBDCs and with the beneficiary countries?
- j) What is the level of interaction of the Central American network of SBDCs with other SBDC networks in the region?
- k) What is the level of involvement of the country executing agencies with their SBDC programs? Do they allocate adequate staff resources (in terms of professional level and time) to their supervision and improvement?
- l) Are budgetary allocations at the program and individual center levels sufficient for the SBDCs to attain their programmatic goals in terms of quantity and quality of services to SMEs?

##### Regarding of the demand of services in each country (services actually offered and potential services not yet offered but demanded and required by SMEs):

- e) Describe firms' demand characteristics in terms of type of services required by current and potential SBDC clients.
  - f) How effectively do SBDC services solve clients' problems?
  - g) What segments of enterprises (in terms of size, sectors, etc) are being served, and which ones should be covered (instead of and/or in addition to the SMEs currently being served)?
  - h) How well are SBDCs serving the needs of minority or women-owned and led firms? Do they collect data that allows for gender and minority-focused interventions to foster women and minority-led enterprises, employment and professional development?
  - i) How can existing demand be better met by the SBDCs?
  - j) How many SMEs can the centers currently serve and what types of services and what quality can they offer with their present capacity? Do they offer specialized services for minority and/or women-led enterprises?
  - k) Do SMEs being served have growth potential and are they formal-sector enterprises (in terms of their legal registration and operation)?
  - l) What services are being offered and what new (or different) types of services would be required in each country to better match potential demand and needs?
- 4.2 On the basis of its evaluation and demand study findings, the consulting firm will prepare a draft Action Plan with specific measures to be implemented with support from Component 2 of the TC by the SBDCs in each country, the network of centers within each beneficiary country, and at the level of the Central American network of SBDCs. This proposed Action Plan should contain elements of improvement in terms of the services delivered by the centers, the types of experts that should be working in these centers, the types of sectors and of firms that should be served in each country, among other considerations.
- 4.3 The consulting firm will make a presentation of the Action Plan at a location to be determined (either in one of the beneficiary countries or in the US) to the IDB specialists, the local executing agencies and policymakers, and the UTSA experts, and facilitate arriving at a consensus and agreement on a SBDC improvement Action Plan for each beneficiary country and the Central American network as a whole to be implemented under the SBDC model and methodology.

## **5 Expected Outcome and Deliverables**

- 5.1 The main expected outcome of this consultancy is to have an evidence-based evaluation and demand study in order to design and propose an Action Plan to be agreed among the project's key stakeholders and implemented through Component 2 of the TC, in order to promote growth, innovation, productivity and competitiveness of SMEs in the region and support the integration of the country and regional SBDC networks, their links with other SBDC networks of the LAC region and the US.
- 5.2 The consulting firm should produce the following deliverables:
- g) A document with the consultancy's the Work Plan, including proposed activities, their sequence and timing, the proposed technical team, and the methodology to be used. This Work Plan should be approved by the IDB technical team before the consulting firm conducts its the first fact-finding trips to UTSA and the beneficiary countries in the region.
  - h) A preliminary report with a diagnostic of the SBDCs national networks in El Salvador, Guatemala, Honduras, and Dominican Republic, and of the Central American regional network as a whole.
  - i) A demand study of services effectively required by SMEs in each beneficiary country.

- j) A final report with the diagnostic of the SBDCs, incorporating comments from the IDB and key project stakeholders.
- k) A presentation of the diagnostic report, the demand study and the proposed draft SBDC Action Plan to the Bank, the local executing agencies and the UTSA.
- l) A final report with the Action Plan agreed upon with the IDB, local agencies, and UTSA.

**Project Schedule and Milestones**

5.3 The schedule of deliverables and milestone for this project will be as follow:

<b>DERIVERABLES</b>	<b>MEANS OF VERIFICATION</b>	<b>DEADLINE (since the signing of the contract)</b>
Working Plan and Methodology	Document with Working Plan and methodology	15 days
Preliminary diagnostic and demand study reports	Document with the preliminary diagnostic and demand study report	3 months
Diagnostic final report	Document of the final SBDC country and regional program report	5 months
<b>SME Demand Study</b> final report	Final Report with the Demand Study of services effectively required by SMEs in each beneficiary country	5 months
Presentation of results	Meeting for the presentation of results	5 months
Action Plan final report	Document of the agreed-upon Action Plan final report	6 months

**6 Acceptance Criteria**

6.1 The consulting firm will send the document reports for each stage of the consultancy electronically to the IDB project team leader. The IDB team leader will send his and the other project participants’ comments to the reports, which the consulting firm will need to discuss and address in the final versions of each document report.

**7 Supervision and Reporting**

7.1 The person responsible in the IDB for the consultancy and the comments to the reports

generated by the Consulting company will be Gregorio Arevalo, Economist Principal Specialist of the Competitiveness, Technology and Innovation Division (CTI) at IDB. It will be consulting firm’s responsibility to ensure that all required meetings in the countries are conducted and reports are submitted to the Bank.

## 8 Schedule of Payments

- 8.1 Payment for this lump-sum contract will be based on project milestones or deliverables presented below. The Bank looks forward to receiving the most competitive cost and quality proposal for the services described herein.
- 8.2 The IDB Official Exchange Rate indicated in the RFP will be applied for any required conversion of payments in local currency.

<b>Payment Schedule</b>	
<i><b>Deliverable</b></i>	<b>%</b>
9 Contract signed and working plan and methodology report submitted	20%
10 Preliminary Diagnostic and Demand Study report submitted	20%
11 Final Diagnostic and Demand Study Reports accepted	40%
12 Final agreed-upon Action Plan Report accepted	20%
<b>TOTAL</b>	100%