

## REQUEST FOR EXPRESSIONS OF INTEREST CONSULTING SERVICES

**Selection # as assigned by e-Tool:** *RG-T3322-P001*

**Selection Method:** Full Competitive Selection

**Country:** *Regional*

**Sector:** *Competitiveness, Technology, and Innovation*

**Funding – TC #:** *(Pending)*

**Project #:** *RG-T3322*

**TC name:** *Technology Extension Services (TES) in the Caribbean*

**Description of Services:** *The objective of the consultancy is to strengthen the capacity of Caribbean-based technology extension service providers (TSPs) and small business development centres (SBDCs) to deliver technology extension services (TES) to eligible Caribbean-based SMEs in the tourism and agro-processing sectors.*

The Inter-American Development Bank (IDB) is executing the above-mentioned operation. For this operation, the IDB intends to contract consulting services described in this Request for Expressions of Interest. Expressions of interest must be delivered using the IDB Portal for Bank Executed Operations ( <http://beo-procurement.iadb.org/home>) by: **November 21, 2019**, 5:00 P.M. (Washington D.C. Time).

The consulting services (“the Services”) include *the following*:

- 1.1.** The consulting firm will prepare a TES Delivery Manual that will include detailed processes, efficiency-enhancing tools (including digital tools such as CRM systems) and templates necessary for SBDCs and selected TSPs to implement the designed TES delivery system.
- 1.2.** The CF will provide training, hand-holding support and learning-by-doing opportunities to selected TSPs throughout the consultancy period to ensure effective and efficient operations whilst preparing and delivering technology audit plans (TAPs) and technology assistance reports (TARs) to clients.
- 1.3.** Provide training and sensitization to SBDCs to build capacity in their role in the TES Delivery
- 1.4.** The CF will monitor the implementation of the TES delivery system and propose improvements where necessary in order to ensure an effective framework for delivery of TES and to contribute to lessons learned for addressing what the profile of an effective TES delivery system should look like.
- 1.5.** The CF will collaborate with other key actors, such as the SBDCs, OAS, CDB, and other regional actors, in order to ensure the effective implementation of the TES delivery system. The CF will oversee the institutional arrangements (i.e. MoU) with key stakeholders such as the TSPs, SBDCs, the steering committee, CCPF and any other key stakeholders.

Eligible consulting firms will be selected in accordance with the procedures set out in the Inter-American Development Bank: [Policy for the Selection and Contracting of Consulting firms for Bank-executed Operational Work](#) - GN-2765-1. All eligible consulting firms, as defined in the Policy may express an interest. If the Consulting Firm is presented in a Consortium, it will designate one of them as a representative, and the latter will be responsible for the communications, the registration in the portal and for submitting the corresponding documents.

The IDB now invites eligible consulting firms to indicate their interest in providing the services described below in the [draft summary](#) of the intended Terms of Reference for the assignment. Interested consulting

firms must provide information establishing that they are qualified to perform the Services (brochures, description of similar assignments, experience in similar conditions, availability of appropriate skills among staff, etc.). Eligible consulting firms may associate in a form of a Joint Venture or a sub-consultancy agreement to enhance their qualifications. Such association or Joint Venture shall appoint one of the firms as the representative.

Interested eligible consulting firms may obtain further information during office hours, 09:00 AM to 05:00 PM, (Washington D.C. Time) by sending an email to: [annieb@iadb.org](mailto:annieb@iadb.org) and [kaylag@iadb.org](mailto:kaylag@iadb.org)

Inter-American Development Bank

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## **Draft Summary of Terms of Reference**

### **Design of Institutional Strategy and Operationalization**

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

- 1.1. Established in 1959, the Inter-American Development Bank (“IDB” or “Bank”) is the main source of financing for economic, social and institutional development in Latin America and the Caribbean. It provides loans, grants, guarantees, policy advice and technical assistance to the public and private sectors of its borrowing countries.
- 1.2. The acceleration of new technologies has created a highly competitive landscape. Firms that delay or fail to transform their productive processes through the adoption of new technologies are at risk of falling behind, losing competitiveness in the marketplace, and missing growth opportunities which in turn can have devastating effects on the economy. Technology Extension Services (TES) is a set of services to support firms in the acceleration of technological diffusion, adoption, and upgrading. In the countries where these services have been systematically deployed, they have greatly encouraged innovative activities that have contributed to increased competitiveness, productivity and growth<sup>1</sup>.
- 1.3. Technology Extension Services (TES) is an innovation policy tool that Caribbean Governments can leverage to address market failures and to positively impact productivity and innovation capabilities amongst SMEs (De Groote, 2017). TES consists of business support services<sup>2</sup> provided directly to SMEs to improve their adoption and modernization of technology. The benefit of TES with respect to other innovation policy tools is that it is cost efficient in terms of the size of the investment per

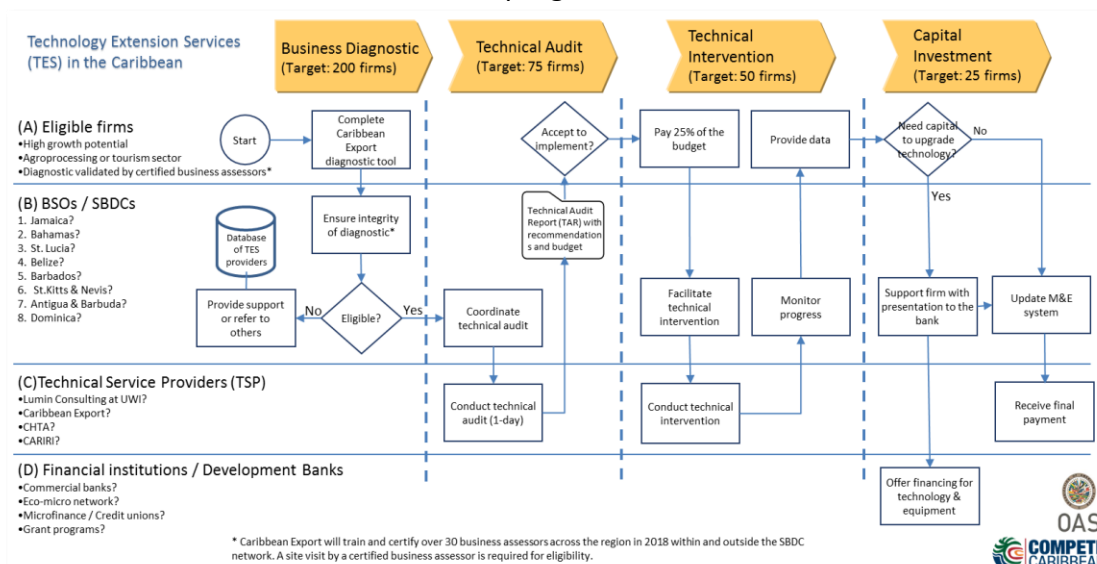
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<sup>1</sup> Studies conducted by the McKinsey Global Institute indicate that in the case of the G19 countries, this catching up with best practice can increase the productivity growth of SMEs by 75%. In emerging economies, the impact of catching up may even be higher, up to 82%.

<sup>2</sup> Examples of technology advisory services from international models include technology advice for lean operations, quality improvement (certification standards such as ISO 9000), product development and marketing, technology supplier and vendor sourcing and matching, information technology (software packages for accounting, etc), or referral to qualified technology centers or consultants.

firm, it offers quick wins in terms of implementing innovations already proven to be effective in other markets, and it is impactful in terms of improving productive efficiency and competitiveness of SMEs.

- 1.4. The Compete Caribbean Partnership Facility (CCPF), the Organisation of American States (OAS), and Small Business Development Centers (SBDCs) are collaborating to implement a pilot that will test a regional TES delivery framework targeted to Caribbean<sup>3</sup> SMEs in the agro-processing and tourism sectors with high growth potential, with a special focus on targeting women-owned firms. A consultancy was hired to design the pilot (for more information, see Annex A). As a result, the below diagram depicts the core features of the TES delivery framework. The main actors include eligible Caribbean firms, local business support organizations (BSOs) and SBDCs, technology extension service providers<sup>4</sup> (TSPs), and financial institutions from the Caribbean region. Key outputs include the Business Potential Assessments (BPA), Technology Audit Plan (TAP), and the Technology Assistance Reports (TAR).
- 1.5. The services provided by the pilot will be demand driven, but the pilot will also pay particular attention to supporting increased adoption of digital technologies and technologies that improve environmental and energy management practices. Ultimately, the pilot seeks to improve understanding on the following elements: (a) the demand for TES amongst Caribbean firms; (b) the supply capacity of the region’s technology services providers; (c) the impact of TES on firm productivity, efficiency, revenue and competitiveness in targeted markets; and (d) the likely return on investment for a Caribbean-based TES program.



- 1.6. **Background on the Compete Caribbean Partnership Facility:** On March 20, 2016, the IDB Board approved the creation of the CCPF as a multi-donor Trust Fund jointly funded by the United Kingdom’s Department for International Development (DFID), the Caribbean Development Bank (CDB), and the Government of Canada. The ultimate goal of the Compete Caribbean Partnership Facility is to support the Caribbean region in increasing productivity and Caribbean firms’ contribution to economic growth. The specific objectives are to (i) support firms to grow, innovate and enter new sectors and markets; and (ii) to promote an environment that enables innovation and growth. The Facility will support productivity and economic growth in the Caribbean by focusing on two thematic pillars: (i) productivity and innovation in firms; and (ii) enhancing the business and innovation climate. The Facility is being executed by Inter-American Development Bank and

<sup>3</sup> This TC has received letters of request from three SBDCs in Belize (SBDC Belize, executed through BELTRAIDE), Barbados (Barbados Investment and Development Corporation, BIDC), and Jamaica (the Jamaica Business Development Corporation). It is expected that other countries will submit letters of interest.

<sup>4</sup> Examples of TSPs in the Caribbean region include the Caribbean Industrial Research Institute (CARIRI), Lumin Consulting at UWI, Caribbean Export, and the Caribbean Hotel and Tourism Association.

henceforth all procedures related to operations and implementation thereof must comply with IDB policies.

- 1.7. Phase 1 of Compete Caribbean (2010-17) supported the creation of 12,000 jobs (80% for women and youth); increased revenue generated by participating firms and clusters (USD\$153m or a 41% increase); increased exports by participating firms and clusters (USD\$37m or a 23% increase); introduced environmental technologies or adoption of change innovations through nine private sector projects; and improved the business environment in several Caribbean countries (e.g.: Jamaica's ranking for Access to Finance improved to 12 from 189).
- 1.8. The CCPF which will be implemented over the period (2017-2020), is the second phase of Compete Caribbean and builds on the success of the first phase. CCPF comprises two program pillars: Productivity and Innovation in Firms (Pillar I); and Enhancing the Business and Innovation Climate (Pillar 2). It is also intended that CCPF should also (a) support inclusion of gender and diversity; (c) promote climate change adaptation and mitigation activities; (d) foster the strengthening of institutions; and (e) promote scalability.

## **2. Objectives**

- 2.1. The objective of the consultancy is to strengthen the capacity of Caribbean-based TSPs and SBDCs to deliver TES to eligible Caribbean-based SMEs in the tourism and agro-processing sectors.
- 2.2. The objective of the pilot project is to demonstrate that a regional delivery system of TES in the Caribbean can achieve three key objectives in a cost-effective way:
  - Stimulate demand for specialized technical assistance from SMEs with growth potential, including women owned firms<sup>5</sup> (WOF);
  - Increase adoption of new processes and technologies to increase SME performance and growth.
  - Promote the adoption of climate change practices and green technologies to improve environmental management and energy efficiency;
- 2.3. This consultancy will implement the pilot project through capacity building and handholding of Caribbean-based Technology Extension Service Providers (TSPs) and the SBDCs. Possible beneficiary TSPs are Lumin Consulting at UWI, CARIRI, Caribbean Export, the Caribbean Hotel and Tourism Association, etc. As the project unfolds, information from the monitoring and evaluation system and stakeholders will be captured to assess, improve and sustain the delivery mechanism at the end of the pilot. Ultimately, the pilot seeks to improve understanding on the following elements: (a) the demand for TES amongst Caribbean firms; (b) the supply capacity of the region's technology services providers; (c) the impact of TES on firm productivity, revenue and competitiveness; and (d) the likely return on investment for a Caribbean-based TES program. Compete Caribbean will use the cost-benefit analysis to influence policy makers in sustaining the program after the pilot.

## **3. Scope of Services**

- 3.1. The pilot project intends to finance 75 technical audits and 50 technical interventions. It is estimated that 200 business diagnostics will be conducted in the eligible countries in order to identify 75 firms with high growth potential. The business diagnostics can be conducted by the firms themselves but must be verified by a business assessor certified by Caribbean Export.
- 3.2. The consulting firm will predominantly build the capacity of 3-5 Technical Service Providers selected to participate in this pilot project. The capacity building involves developing the manual, tools and template required to deliver TES, training, and hand-holding support during implementation to ensure effective completion of the pilot.

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<sup>5</sup> Considers businesses led by women in position of authority.

**3.3.** Although the Organisation of American States provides ongoing training and support to the SBDC network, the consulting firm will provide the guidelines and training necessary to facilitate the overall coordination.

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

##### PREPARATION

- 4.1.** The consulting firm will assess and build the capacity of selected TSPs to deliver TES.
- This may involve looking at the management information system and processes used to cost, price, and administer services, as well as to identify, contract and manage the performance of experts.
  - Assess the types of services that can be offered to facilitate promotion and identification of gaps.
  - Build the capacity based on needs while standardizing processes to the best extend possible.
- 4.2.** The consulting firm will develop the training and operational tools and templates necessary to implement the pilot.
- provide guidelines to the SBDCs to implement the pilot in their country and to facilitate the selection of eligible firms given the information obtained from the diagnostic tool.
  - Develop the pricing structure for the services paid by Compete Caribbean based on optimization of results in the short and long term.
- 4.3.** The consulting firm will establish the overall governance and coordination mechanism among stakeholders.

##### IMPLEMENTATION

- 4.4.** As the requests for TES come from the SBDCs, the consulting firm will provide hand-holding support to facilitate costing, work assignment, technical audit, etc. The consulting firm will conduct some technical audits along with the TSPs to provide learning-by-doing opportunities since these technical audits are conducted within one day. The technical audits must be reported in a Technical Assistance Plan (TAP) which provides details about the technical interventions needed and the business case (ie. the potential benefits for the client and the costs involved). Support will also be provided during the intervention and preparation of the Technology Assistance Report (TAR).
- 4.5.** Provide training to optimize the engagement of the SBDCs to strengthen their role in the TES delivery mechanism.

##### MONITORING & EVALUTATION

- 4.6.** The SBDC network uses a common software called Neoserra to capture baseline data from their client. The consulting firm will review the information collected to ensure effective assessment.
- 4.7.** The consulting firm will monitor the implementation of the TES delivery system and propose improvements where necessary in order to achieve the objectives, and capture lessons learnt in the reports expected.

#### **5. Expected Outcomes and Deliverables**

- 5.1. Workplan:** This project management plan includes a synopsis of the consultancy, proposed activities, timelines (including dates for the proposed missions and milestones), responsibilities, expected outputs and outcomes (results). The workplan will be updated as necessary in discussion and agreement with the IDB.
- 5.2. Governance and coordination for TES delivery:** This report must first provide an assessment of the current capacity of TSPs to deliver TES including access to specialized expertise. It will include the overall coordination mechanism including workflow and cashflow required to facilitate payment from Compete Caribbean to TSPs.

**5.3. TES Operating Manual and training:** The toolkit should include administrative and operating processes and procedures for the selected TSPs and SBDCs including the tools and templates with instructions to optimize cost-effectiveness. This manual will provide specific guidelines to facilitate understanding of each step by operating officers and advisers, as well as the M&E system. The length of training and the number of TSPs staff/consultants trained will depend on the assessment conducted for each TSP.

**5.4. TES Delivery Reports:** A summary report evaluating the Technology Assistance Plans (TAP) prepared after the technical audits, the Technology Assistance Reports (TARs) prepared after implementing the recommendations from the TAP, and to some extent, the Investment Proposals prepared with the support of the SBDCs to increase access to the finance. These delivery reports from the implementation will be attached to the summary report as reference.

**5.5. Final Report:** The final report will include an analysis of progress, risks and recommendations for improvements to ensure sustainability after the pilot. The final report must include the information necessary to facilitate the cost-benefit analysis of the overall TES delivery system. Ultimately, it will assess the achievement of the objectives stated.

## **6. Project Schedule and Milestones**

**6.1.** The consultancy is estimated to begin 1st quarter of 2020 over a duration of eight months. Extensive traveling is expected to build the capacity of the TSPs including site visits to the SMEs to foster learning-by-doing. The cost of workshops and traveling are included in the consulting firm's budget. The number of TAPs and TARs completed through the handholding approach, schedule and milestones will be defined by the consulting firm in agreement with the IDB and BSOs and captured in the workplan.

## **ANNEX A**

### **Key Roles.**

**Small Business Development Centers (SBDCs):** The Caribbean SBDCs will be responsible for coordinating the TES pilot project in the countries. Their role includes identification of eligible firms, assessment of business potential, matching of eligible firms to TSPs, coordination of program activities, ongoing monitoring to ensure effective delivery of technology assistance provided by TSP, support for proposal development when access to finance is necessary, as well as general outreach and dissemination to clientele in order to stimulate demand for the services. In the Caribbean, the SBDC program began between 2012 and 2015 in countries such as Belize (SBDCBelize, executed through BELTRAIDE), Barbados (Barbados Investment and Development Corporation, BIDC), and Jamaica (the Jamaica Business Development Corporation). The current clientele of the SBDCs include MSMEs, many of which operate in the services and commerce sectors. The SBDCs do not yet offer services related to the use and promotion of technologies nor do they cater typically to businesses in the tourism sector, and thus the TES would greatly complement their efforts for improving their business development services offering.

**Technology Extension Service Providers (TSPs):** The TSPs are responsible for conducting the technology audit and delivering the TES to the SMEs. TSPs are technical institutions with specialized technological knowledge and expertise whose role is to support the firms' process of adoption and use of productive technologies. The TSPs will be identified through a competitive call for expression of interests prior to the beginning of this consultancy. Potential candidates include Lumin Consulting at UWI, CARIRI, CARDI, Caribbean Export, the Caribbean Hotel and Tourism Association, etc.

### **Key Project Outputs.**

**Business Potential Assessments (BPA):** The SBDCs will utilize an eligibility diagnostic to conduct an economic

assessment of the business and its growth potential (called the Business Potential Assessments, BPA) which will determine the eligibility of the firm to partake in the TES project. The BPA will be undertaken by the SBDCs utilizing Caribbean Export's<sup>1</sup> freely available SME self-diagnostic tool which captures data to determine the firm's potential for growth and export capabilities. This tool will allow an adequate identification and selection of firms that will participate in the program. It is expected that 200 firms will undertake BPAs. This activity will be performed for the firms at no cost to the SBDCs or the Bank.

**Technology Audit Plan (TAP):** TSPs will develop technology audits to guide the type of technology intervention required from the technical institutions of the program. It is expected that firms will undergo technology audits and receive an audit report (known as the Technology Audit Plan, TAP).

**Technology Assistance Reports (TAR):** It is expected that firms will benefit from the technology intervention resulting in the development of Technical Assistance Reports (TAR) that provide recommendations for priority actions and corresponding costs.

**Important references for the design of the regional delivery system:**

- Sierra, Pedro (2018), Consultancy on Technology Extension Services (TES) - Design of a delivery system in the Caribbean
- De Groote, R (2017). "Analysis of technical extension services in the Caribbean". Compete Caribbean. Inter-American Development Bank, 2017.
- Casaburi G., Suaznábar C. y Llisterri J.J. "Technology extension for SME". Inter-American Development Bank, 2016.
- Shapira P. and Youtie J. (2014). "Impact of technology and innovation advisory services". Nesta. Working Paper No. 13/19. July, 2014.
- STEPHEN J. EZELL; DR. ROBERT D. ATKINSON (2011). International Benchmarking of Countries' Policies and Programs Supporting SME Manufacturers, The Information Technology & Innovation Foundation, 2011
- Kolodny, H., Stymne, B., Shani, R., Figuera, J.R., Lillrank, P. (2001). "Design and policy choices for technology extension organizations", Research Policy n° 30, 201–225.