

REQUEST FOR EXPRESSIONS OF INTEREST CONSULTING SERVICES

Selection # as assigned by e-Tool: RG-T3322-P003

Selection Method: Framework Selection

Country: Regional

Sector: Competitiveness, Technology, and Innovation

Funding – TC #: ATN/CN-17624-RG

Project #: RG-T3322

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

Description of Services: The objective of this consultancy is to (i) conduct on-site technical audits of selected firms and develop technology audit plans (TAPs); and (ii) deliver effective specialized technical assistance to selected firms as outlined in the TAP.

Link to TC document: <https://www.iadb.org/en/project/RG-T3322>

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: February 24, 5:00 P.M. (Washington D.C. Time).

The expected outputs from the consulting services (“the Services”) include the following: (i) technology audit plans (TAPs) and (ii) Technology Assistance Reports (TARs) which document the results of the delivery of specialized technical assistance to firms and which provide recommendations to the firms for next steps.

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 and kaylaq@iadb.org

Inter-American Development Bank

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Draft Summary of Terms of Reference

Technology Service Providers (TSPs) - Technical Audits and Specialized Technical Assistance

1. Background Information

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. In 2016, IDB, the UK’s Department for International Development (DFID), the Government of Canada, the Caribbean Development Bank (CDB) and the Government of Canada have established a co-financing facility called “The Compete Caribbean Partnership Facility” (GN-2851), which is a continuation of the Compete Caribbean Program that funded over 100 private sector development projects over the period 2010-2016 in the Caribbean. These projects generated nearly 12,000 jobs, a 23% increase in exports (USD\$37M) and a 41% increase in the revenue of participating firms and clusters (USD\$153M), as well as an improvement in the business climate for some countries through policy or regulatory reforms. The purpose of the Compete Caribbean Partnership Facility (CCPF) is to drive inclusive and sustainable economic growth through greater competitiveness and innovation in the private sector of 13 Caribbean countries [1].

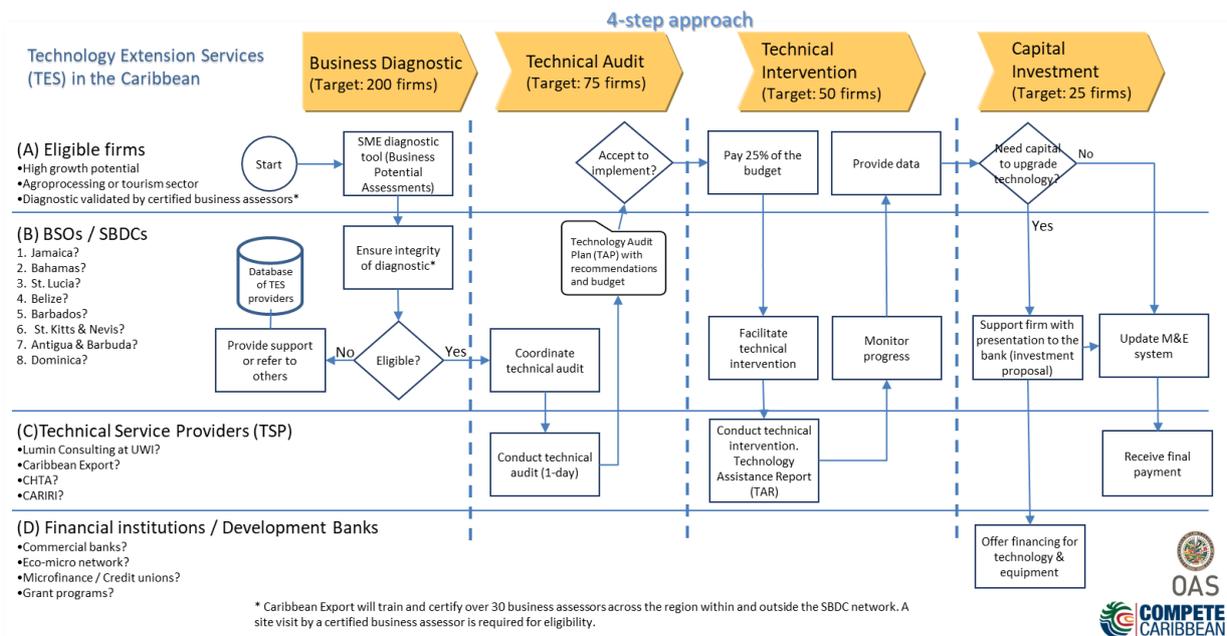
1.2. The rapid emergence of innovative technologies have created a highly competitive landscape particularly difficult for Small and Medium Enterprises (SMEs). Firms that delay or fail to transform their productive processes through the adoption of new technologies are falling behind and missing growth opportunities which can have devastating effects on inclusive economic development. Technology Extension Services (TES) is a type of government policy used in other countries to accelerate the pace at which SMEs “catch up” with more advanced firms by transferring knowledge about best practices, particularly cutting-edge technologies for their specific sectors. It is essentially a strategic public investment in technological diffusion through on-site specialized technical assistance. Studies conducted by the McKinsey Global Institute indicate that in the case of the G19 countries, this catching up can increase the productivity growth of SMEs by 75%. In emerging economies, the impact of catching up may even be higher, up to 82%.

1.3. The key benefits of TES with respect to other innovation policy instruments are: (1) quick wins in terms of adopting technological improvements already proven to be effective in other markets; (2) greater access by SMEs to advanced knowledge and specialised expertise to facilitate integration of technology into their productive and decision making processes; (3) cost effectiveness in terms of the size of investment per firm in relation to their improvement in productivity and competitiveness.

[1] Antigua & Barbuda, The Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Saint Kitts & Nevis, Saint Lucia, Saint Vincent & the Grenadines, Suriname, Trinidad & Tobago

1.4. The CCPF, the Organisation of American States (OAS), and Small Business Development Centers (SBDCs) existent in 8 Caribbean countries are collaborating to implement a pilot project that will test a regional TES delivery system targeted at Caribbean SMEs. Eligibility of beneficiary firms will be assessed based on growth potential with special attention to women-owned firms (WOFs). This regional system of TES delivery was designed given the Caribbean context and built on extensive research that compared successful models of TES in the USA, Canada, UK and Latin American countries.

1.5. The diagram below depicts the core features of the TES delivery framework to be piloted. The main actors include four types of stakeholders: (A) Caribbean SMEs; (B) local business support organizations (BSOs) and SBDCs in eight Caribbean countries which are the first point of contact with the SMEs on the ground; (C) Technology Service Providers (TSPs) which are regional institutions or centers of excellence (CoE); and (D) financial institutions which can finance the actual acquisition of the technology when necessary. Key outputs at each step in the process include Business Potential Assessments (BPA), Technology Audit Plan (TAP), Technology Assistance Reports (TAR), and Investment Proposal (IP). See Annex A for descriptions.



1.6. The types of TES provided will be based on demand given the gaps identified between the needs of Caribbean firms and their growth potential – particularly in the tourism and agro-processing sectors. Particular attention will be given to the adoption of digital technologies and improvement of environmental, waste and energy management practices. Examples of TES that could be sponsored by the CCPF under this program include but are not limited to:

- Adoption of industry 4.0 technology such as artificial intelligence, blockchain, robotics, 3-D printing, virtual reality, big data, etc.
- Food safety, ergonomics, waste management, compliance, energy efficiency, etc
- Information technology: Assessment and requirements/specifications for computer software/packages related to accounting, reservation, order entry, payment, scheduling, inventory (eg: MRP II, ERP, etc)

- Sourcing and matching for technology, suppliers or vendors. Support for outsourcing contracts, and establishing service level agreements (SLAs) with technology providers.
- Lean operations and quality improvement - certification to standards such as ISO 9000, TS 16949, ISO 13485, ISO/IEC 17025)
- Product development and marketing including artificial intelligence, social media, etc.

1.7. Ultimately, the pilot seeks to improve understanding on the following elements: (a) the demand for TES amongst Caribbean SMEs; (b) the supply capacity of the region's technology services providers; (c) the impact of TES on firm productivity and revenues; and (d) the likely return on investment for a Caribbean-based TES program from the perspective of the government and/or development agencies, as well as from the perspective of the beneficiary firms.

1.8. These Terms of Reference outline the activities and responsibilities of the regional Technology Service Providers (TSPs) that will execute the delivery of TES to firms in the Caribbean region. Due to the broad scale and timeline of potential deliverables, this document outlines the ability to work with one or several TSPs contracted under a "Framework Agreement" based on the TSPs' respective proposal or expertise. A Framework Agreement allows for contracts between the Inter-American Development Bank and TSPs considered as consulting firms to provide for an indefinite quantity, which is neither promised nor limited, of services within a general scope of work during a fixed term period at predetermined rates pursuant to agreed contract terms and conditions. Different requirements and requests will each have their own work order. The contract will be for a defined time period of maximum two years and work will be based on agreed rates for each work order and resulting type of expert that the firm will propose.

1.9. Prospective TSPs are invited to submit proposals for the Framework Agreement. One to three regional TSPs will be selected based on their technical and price proposals. The purpose of this form of contracting is to streamline the administrative procedures for the TSPs and the IDB, and to enable some flexibility given the uncertainty of the demand for specific services. The entities that are selected in this framework agreement are not yet assigned a quantity of work, and instead will be "preapproved" for the two (2) year term of the agreement to work on orders received via the TES framework described above. At the time of specific work orders, the TSP will be requested to price its offers.

1.10. TSPs (also referred to as the consulting firms considered under the framework agreement) should submit proposals that demonstrate ability to work in one or all of the following areas:

- Digital transformation of SMEs in the tourism or agro-processing sector;
- Performance improvement and change management (productivity/ operational/ quality/ process improvement) in the tourism or agro-processing sector;
- Climate change: Energy efficiency, waste management, organic transformation, etc.

1.11. For the purpose of bids for the Framework Agreement, the TSPs should specify in which category(s) above that it can operate based on its expertise and current access to expertise (in-house or on call). A global consulting firm with expertise in TES delivery systems will be contracted to provide the tools and templates that will facilitate the processing of work orders submitted by the SBDCs including costing, contracting, reporting, payment, etc. This capacity building effort will enable all the key stakeholders, including the TSPs that are being called forth through this document, to have common operating procedures during the pilot project to ensure efficiency and effectiveness.

2. Services to be Performed

2.1. Purpose: The objective of this consultancy is to (i) conduct on-site technical audits of selected firms and develop technology audit plans (TAPs); and (ii) deliver effective specialized technical assistance to selected firms as outlined in the TAP – a description of these will be contained in the Technical Assistance Reports. The TSPs selected under this project are not expected to have all the necessary expertise in-house but they must have access to highly specialized consultants.

Scope: The TSP contracted under this project is expected to begin in the third quarter of 2020. Expected outputs include: (i) technology audit plans (TAPs) and (ii) Technology Assistance Reports (TARs) which document the results of the delivery of specialized technical assistance to the beneficiary firms and which provide recommendations to these firms for next steps. Overall, the technical cooperation project was designed to finance 75 technical audits and 50 interventions. 25% of the TES intervention's budget (the budget estimated by the TAP for delivering the specialized technical assistance to firms) will have to be financed by the SME as counterpart contribution. CCPF will finance the other 75% of the TES interventions (max 10 consulting days for each)¹. In addition, CCPF will finance, through this framework agreement, the traveling expenses and professional fees during the Technical Audit (1-day).

2.2. Key Activities:

- 2.2.1. **Preparation phase for TES delivery:** Assign key staff and consultants to participate in and complete all prescribed trainings to be provided by a global consulting firm contracted to set-up the TES pilot so the project can be delivered efficiently. It is expected that the TSPs will coordinate this initial preparation phase with the global consulting firm, SBDCs, IDB/Compete Caribbean to ensure that the procedures for costing, pricing, payment processing and performance management are properly established and agreed upon.
- 2.2.2. **Regional meeting:** The CCPF and OAS will arrange a regional meeting to facilitate knowledge exchange and ensure common understanding of procedures to process work orders, monitoring & evaluation, and payment. The participants will include representatives of all participating SBDCs, the TSPs selected, CCPF and OAS, and the global consulting firm. Target date: June 2020
- 2.2.3. **Technical Audit:** Once the eligibility of the SMEs has been assessed, the SBDCs will submit the work order for an onsite 1-day assessment to the relevant TSPs. The TSPs will be requested to respond based on availability of accessible experts. The technical audit will determine the type of intervention required and proposed budget. As a result of the technical audit, SMEs will receive an audit report known as the Technology Audit Plan (TAPs) which will describe what should be done, by what type of experts, estimated timeline, budget and any other requirements to address the problem/opportunity identified.
- 2.2.4. **Specialized Technical Assistance:** The TSPs will be required to coordinate and manage the effective delivery of the technical interventions as outlined in the TAP with some support and observation from the local SBDC. After the intervention, the TSP will submit a Technical Assistance Report (TAR) that will document the intervention provided and any results observed. The report will also include recommendations and justification for additional priority actions

¹ Some conditions will apply. These modalities will be refined during the first phase of the project.

and investments by the benefiting client.

2.2.5. **Administration:** The TSP is expected to monitor outputs, and develop financial reports/invoices as agreed upon, process and track payments and ensure that the delivery of TES is completed effectively, and to provide these reports to the SBDCs and to the CCPF. All the effort will be captured by the SBDCs to facilitate evaluation at the end of the pilot.

2.3. Project Schedule and Timeline

2.3.1. Timelines will be determined through the work orders based on locations of the requests to minimize traveling expenses, as well as the capacity of the TSP to deliver. Over the contract execution period, there will be a maximum of 75 technical audits and 50 interventions completed in total. TSPs have the option of managing multiple consultants and/or experts on one of more project tasks.

2.3.2. Additional expectations:

- The TSP shall determine a range of price depending on the type and number of experts assigned to meet work order objectives and timelines.
- Where travel is involved, indicative travel costs shall be submitted with the proposals to work orders. Specific travel costs and services costs will be submitted for each Work Order within the limits agreed upon. The Bank only recognizes economy class airfare costs.
- In the case of the 1-day assessment, a minimum of two work orders will be required to justify the traveling cost.

2.4. Expected Deliverables

2.4.1. With each work order, the TSPs will be expected to create a simple work plan that includes a start and end date. Different deliverables will be requested and processed through a work order including the TAPs and specialized TARs. Payment to the TSPs will be processed following the procedures to be established during the first phase of this pilot project, but typically based on the acceptance of deliverables, with some advance for travel in those cases that it is applicable.

2.5. Professional Profiles of the TSPs:

2.5.1. It will be expected that winning TSPs will have the following:

- Proven expertise in providing technical expertise, knowledge transfer and/or technological business support services to firms across the Caribbean region. (See 1.6 for listing of expertise being sought.).
- Knowledge of the tourism and/or agro-processing sectors.
- Must be committed to serving clients across the region and demonstrate the capacity to administer the delivery of consulting services.
- Strong organizational structure and staff capable of sustaining the regional delivery system after project completion.

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's² 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 Bank.

Technology Audit Plan (TAP): TSPs will develop technical audits to guide the type of technology intervention required in the selected firms. It is expected that 75 firms will undergo technical audits and receive an audit report (known as the Technology Audit Plan, TAP).

Technology Assistance Reports (TAR): It is expected that approximately 50 firms will benefit from the technology intervention resulting in the development of Technology Assistance Reports (TAR) that document the results of the delivery of the specialized technical assistance provided to firms and that provide recommendations for priority actions and corresponding costs.

Investment Proposal (IP) – IP proposals will support firms in accessing finance from financial institutions when needed to facilitate acquisition of relevant technologies.

Role of key stakeholders in the TES delivery system

(A) Eligible firms (targeted beneficiaries)

The profile of firms targeted is SMEs operating in the Caribbean tourism or agro-processing sectors (6-50 FTEs^[1]) with high growth potential and the capacity to absorb TES. This criteria will be assessed using the diagnostic tool developed by Caribbean Export. This web-based tool (<https://sme-diagnostics.ceintelligence.com/>) provides a standardized, methodological assessment of strengths and weaknesses in four areas: Management, Production, Finance and Marketing.

To be eligible, the firm's diagnostic must be validated by a certified business assessor. Caribbean Export has been certifying 30 business assessors in 2019-20 across the eligible countries as well as qualified business consultants working independently. These professional consultants will play an important role in connecting BSOs with new clients that can benefit from their support over time, but less likely to request technical assistance from them – especially as it relates to SMEs involved in tourism.

(B) Business Support Organisations (BSOs) / Small Business Development Centers (SBDCs)

The BSOs connected to the SBDC network are responsible for executing the pilot project in their respective countries. Because they are already operating in eight countries^[2], they can play an important role in identifying eligible SMEs. Most importantly, their involvement at each step in the process will increase local capacity in terms of business and industry knowledge and enable effective monitoring and evaluation of service delivery.

² For more information on the SME self-diagnostic tool, visit: <https://sme-diagnostics.ceintelligence.com/go/?to=DAGS>

Step 1: Business Diagnostic

The business diagnostic requires some level of sophistication within firms to complete. Most SMEs will require assistance from BSOs and/or business assessors. This rigorous process is not only beneficial in terms of learning and relationship building but also for identifying the targeted firms and collecting the baseline data in the SBDC system called Neoserra. The results from these assessments can be used to prioritize technical assistance, identify other types of support and of course, to evaluate the effectiveness of interventions over time.

The expectation is to ensure that 200 business diagnostics are completed in 2020 across participating countries in the TES pilot^[3]. The role of the BSOs is to facilitate the process for business assessors, record data from the diagnostic into Neoserra, and approve the firm's eligibility to progress to the next step. Training and guidelines will also be provided during the first phase of the program to facilitate the assessment of growth potential and determine which SMEs would most benefit from TES given unmet market opportunities.

Step 2: Technical Audit

Once eligibility has been granted by the SBDC, the BSOs will coordinate the provision of a technical audit by the technology/technical service providers (TSPs). The technical audit will be conducted by specialists/experts during a one-day site visit, with the presence and observation from the BSO representative. A technical audit report (TAR) describing the most critical areas of improvement for the productive process will include a workplan and budget^[4], and will be submitted to the firm for consideration, with a copy to their supporting BSO. The target for the pilot project is 75 technical audits across participating countries. 30% of which must be SMEs owned by women.

Step 3: Technical Intervention

If interested in implementing the recommended changes, the SME will contribute 25% of the budget. Once the agreement is signed, the BSO will facilitate the intervention by the TSPs and monitor progress. This monitoring on the ground is important to promote and evaluate the quality of service delivery by the technical experts. Once completed, the BSO will record the type of service delivered, hours worked, and quality of services to trigger the final payment by Compete Caribbean to the TSP. The target for the pilot project is 50 technical interventions across participating countries. 30% of which must be SMEs owned by women.

Step 4: Capital Investment

Since TES is about purchasing technical advices and not about financing the purchase of equipment or technology, the technical audit or intervention report will reveal specific capital investment necessary to optimize productivity and growth^[5]. The BSOs will play an important role in helping the SMEs formulate an investment proposal and in supporting their access to the relevant financial institution to secure additional financing. This step will require overall capacity building in financial analysis, financial forecasting and relationship building with relevant financial institutions. The target for the pilot project is 25 business proposals prepared and submitted for additional financing. 30% of which must be SMEs owned by women.

(C) Technology / technical Service Providers (TSPs)

The centers of excellence and technical entities responsible for transferring knowledge to the firms are regional in scope and include in their service supply a variety of value-added activities and technical expertise. Their staff and consultants use a standard approach and toolkit to ensure that technical audits and interventions are completed efficiently and effectively. The TSPs are selected based on their institutional capacity to absorb and sustain the program once the pilot is completed.

(D) Financial Institutions (FI) and Development Banks (DB)

Compete Caribbean Partnership Facility (CCPF)

CCPF will coordinate the overall pilot project and identify additional financial partners to increase access to finance for purchasing equipment and technology. The first priority is to publish a Request for Proposal (RFP) to identify a consulting firm(s) with expertise in delivering TES or similar consulting and advisory services. These international consultants will formalize the institutional arrangements by establishing a governance structure and operating procedures between the TSPs, BSOs and firms selected. Guidelines and support will be provided to all stakeholders to facilitate the implementation and evaluation of the pilot project during the first phase of the project. During the second phase, the consulting firm will train and work with the TSP to ensure that the Technical Audits and some Technical Interventions are executed effectively and efficiently using the tools and templates provided (learning-by-doing approach). The third and last phase will focus on evaluating the results and recommend a plan for sustainability in each country and expansion across the region.

Organization of American States (OAS)

OAS has been facilitating various training for the staff of BSOs connected to the SBDC network in 2018-2020. For the purpose of this pilot, the most relevant training sessions are the workshops focused on: (1) improving the use of the Neoserra system to facilitate M&E; (2) Conducting a business diagnostic using Caribbean Export's diagnostic tool; and (3) Preparing and presenting a financial proposal to increase access to finance for the firms involved in the TES pilot in particular.

Caribbean Development Bank (CDB)

CDB has been financing a variety of technical extension services over the years through its Caribbean Technological Consultancy Services (CTCS). Therefore, CDB can play a critical role in adopting the lessons learnt from this pilot project and supporting sustainability and expansion. CDB may also be able to develop new financial schemes in collaboration with national development banks to facilitate the acquisition of technology.

Financial Institutions

Many banks in the region have expressed interests in serving SMEs but most complain about the lack of useful financial information provided by the firms to assess the risk profile and make lending decisions. The TES pilot will be used to establish relationships at the country level with financial institutions interested in reviewing the financial proposals submitted by the beneficiary firms, with the support of their BSO.

^[1] Full-Time Equivalent (FTE) refers to the number of hours work by one person on a full-time basis. In the Caribbean context, consideration can be given to part-time employees or contractual frequently used to operate the business. These unit of measures are indicative to facilitate targeting and prevent processing applications from micro firms and start-ups.

^[2] 1. Belize, 2.Barbados, 2.Dominica, 4.Jamaica, 5.Saint Lucia, 6.Antigua & Bermuda, 7.St.Kitts & Nevis, and 8.the Bahamas.

^[3] 300 firms have completed and submitted the diagnostic to Caribbean Export in 2018 for direct assistance grant (DAG), which is mandatory.

^[4] If the intervention necessary is substantial, the work program will be presented in phases and the budget and workplan for the TES intervention focused on the first phase.

^[5] International experiences suggest that approximately 50% of TES interventions requires additional capital investment for accessing finance (Sierra 2018).

