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PROJECT SUMMARY
EcoMicro – COVID-19 Recovery and Resilience through Digitalization of Caribbean FIs
and their MSME Clients
RG-T3780

The objective of this project is to increase adoption of digital innovations that promote business and resilience and enhanced productivity among FIs and their MSME clients. This will be accomplished through the use of FinTech and other digital solutions, creating pathways for adoption in collaboration with local incubators, accelerators, innovation hubs and FinTech startups and post-startups. This includes (i) upgrading FIs internal operations/business operations as well as their client services through digitalization and online banking solutions; and (ii) facilitating access for their MSME customer base to a wider ecosystem of fit-for-purpose digital solutions and financial technology (e.g. e-commerce, online inventory management, digital marketing and development, business continuity and supply chain resilience, etc.). This project is innovative as it harnesses an ecosystem approach to build resilience of EcoMicro FIs as well as the wide spectrum of business customers that they serve through digitization.

The Executing Agency (EA) for this project is DAI Global LLC. It is expected that the project will directly benefit at least 10 FIs, 675 MSMEs, and 60 FinTech/digital solution providers. It will also serve to galvanize the greater potential of the regional innovation ecosystem, including incubators, accelerators, and innovation hubs. The project will indirectly contribute to household resiliency by supporting family members who rely on business income for anchor needs, including health and education. The potential to scale this pilot is linked to the project's ability to build local digital ecosystems and channel more finance and investment from EcoMicro FIs towards businesses digitalization efforts – both for their internal operations as well as the operations of their end-clients.

Importantly, this project will demonstrate how digitalization can optimize the operations of both FIs and their end-clients, all the while considering broader opportunities to foster entrepreneurship and innovation around digital and FinTech solutions. This project will help EcoMicro FIs to recover from the shock of COVID-19 and develop resiliency to further shocks, be it related to a health (e.g. a pandemic) or climate event (e.g. hurricane). It aims to accomplish its objective through: (i) *Component I: Facilitation of FinTech and Digital Solutions for FIs*; (ii) *Component II: Ecosystem and Digital Solutions Development*; and (iii) *Component III: Design and Pilot of Digital Loan Products for MSMEs*.

This project is fully-aligned with IDB's "Vision 2025" strategy which focuses on five core pillars: (i) digitalization, (ii) strengthening value chains and nearshoring, (iii) climate, (iv) small- and medium-sized enterprises, and (v) gender. Key to this alignment is the project approach to promote digitization of MSMEs through collaboration between FIs, and Accelerators who will facilitate access of FIs' MSME customer base to *fit-for-purpose digital solutions and financial technology* in a range of areas including e.g., e-commerce, online inventory management, digital marketing and development, business continuity and supply chain resilience, (etc.). The project will also complement the work being carried under the existing EcoMicro Caribbean Program (RG-X1131), whose main outcome is, *inter alia*, to strengthen FIs and increase the resilience of MSMEs and households. The project also aligns with the overall IDB Group's Response to COVID-19 which has a key priority area economic productivity and employment. Given its regional scope, the project is also aligned with several IDB Country Strategies across the Caribbean, notably Barbados, Belize, Guyana, Jamaica, Suriname and Trinidad and Tobago.

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AVAILABLE IN THE TECHNICAL DOCUMENTS SECTION OF IDB LAB PROJECT INFORMATION SYSTEM

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ACRONYMS AND ABBREVIATIONS

CBA	Country Office in Barbados
CBL	Country Office in Belize
CCB	Caribbean Country Department
CCF	Canada Cooperation Framework
CEO	Chief Executive Officer
CGY	Country Office in Guyana
CJA	Country Office in Jamaica
COF	IDB Country Office
CTT	Country Office in Trinidad and Tobago
DAI	Development Alternatives Incorporated
DFC	Development Finance Corporation
DICI	Assessment of Integrity and Institutional Capacity
EA	Executing Agency
EE	Energy Efficiency
FI	Financial Intermediary
GAC	Global Affairs Canada
GAN	Global Accelerator Network
GDB	Grenada Development Bank
IDB	Inter-American Development Bank
IDBG	Inter-American Development Bank Group
IDB Lab	Multilateral Investment Fund
ILO	International Labor Organization
IT	Information Technology
LAC	Latin America and the Caribbean
LICU	La Inmaculada Credit Union
MNC	Multinational Corporation
MoU	Memorandum of Understanding
MSME	Micro, Small and Medium Enterprises
NDF	Nordic Development Fund
NDFD	National Development Foundation of Dominica
NPL	Non-Performing Loans
OECS	Organisation of Eastern Caribbean States
PAR	Portfolios in Arrears
PC	Project Coordinator
PSG	Project Specific Grant
PSR	Project Status Report
RE	Renewable Energy
SMCU	St. Martin's Credit Union
TTCU	Toledo Teachers Credit Union

PROJECT INFORMATION

REGIONAL

EcoMicro – COVID-19 Recovery and Resilience through Digitalization of Caribbean FIs and their MSME Clients

RG-T3780

Country and Geographic Location:	Regional		
Executing Agency:	DAI Global LLC		
Focus Area:	Inclusive Cities		
Coordination with Other Donors/Bank Operations:	This project comprises part of RG-O1649, which expanded the EcoMicro Program to the Caribbean MIF-AT-1143-4. It will be financed by Global Affairs Canada, through resources from the Canada Cooperation Framework (CCF), managed under RG-X1131 ATN/CN-15796-RG.		
Eligibility of OECS Countries:	Dominica, Grenada, and Saint Lucia are eligible for financing under the EcoMicro Program in accordance with Article III, Section 3.1 of the Administrative Arrangement with Global Affairs Canada (GAC) of March 21, 2016 ¹ .		
Project Beneficiaries:	The project is expected to directly benefit at least 10 FIs and is expected to benefit 675 MSMEs (split into agro-related MSMEs and other largely service-related MSMEs), and 60 FinTechs/digital solution providers.		
Budget:	Counterpart (cash and in-kind):	US\$390,000	30%
	Co-financing from Canada Cooperation Framework (CCF):	US\$ 910,000	70%
	TOTAL PROJECT BUDGET:	US\$ 1,300,000	100%
Execution and Disbursement Period:	30 months of execution and 36 months of disbursement.		
Special Contractual Conditions:	N/A		
Environmental and Social Impact Review	This operation was screened and classified as required by the IDB's safeguard policy (OP-703) on December 02, 2020. Given the limited impacts and risks, the proposed category for the project is C.		
Unit responsible for disbursements	COF Barbados. The project will be supervised by the EcoMicro Program Team Leader supported by the EcoMicro Team within CCB/CBA.		

¹ Dominica, Grenada, and Saint Lucia are eligible for IDB Lab financing in accordance with Article III, Section 3(a) and (d) of the MIF III Agreement by which all regional developing member countries of the Bank and the Caribbean Development Bank (CDB) are potentially eligible recipients of financing from IDB Lab to the extent that they are eligible beneficiaries of financing from the Bank and that the financing is conducted in consultation and agreement with or through the CBA. An initial formal information exchange on the Caribbean EcoMicro Program was held with CDB on October 12, 2018. This has since been followed by regular engagement and updates on the overall Program and execution status, including participation in knowledge-sharing events, sharing of Annual Reports, etc.

I. INTRODUCTION

- 1.1. **The EcoMicro Program:** The “Green Finance for Micro, Small and Medium Enterprises (MSMEs) and Low-Income Households: The EcoMicro Program” MIF-AT-1143 (EcoMicro) is a US\$ 17 million facility established to pilot green finance for MSMEs (including small farmers) and low-income households in Latin America and the Caribbean (LAC). The goal of the Program is to facilitate green finance as a means to increase access to Renewable Energy/Energy Efficiency (RE/EE) products, and to assist in adaptation to climate change. The purpose of the facility is to support Financial Intermediaries (FIs) in collaboration with key actors in the broader ecosystem to provide new finance instruments to capitalize on opportunities in green financing, while adjusting their risk management models to climate change risk and incorporating climate impact assessment into their internal policies and operations.
- 1.2. The Program is currently financed with funds from IDB Lab, co-financed by Global Affairs Canada (GAC) through Project Specific Grants (PSGs), and local counterpart funds. It is executed by IDB Lab. It was originally approved on September 20, 2011², and was subsequently amended³ in 2015 to increase contributions from IDB Lab and NDF and to extend the execution term through December 2020. In 2016, GAC made an additional contribution to increase the outreach of the original program specifically in the Caribbean Region⁴. GAC-funded Caribbean Projects follow the prescribed modular approach of the EcoMicro Program, which is centered on the execution of three mutually reinforcing and interlocking components⁵. The EcoMicro modular approach was originally approved by the IDB Lab Donor’s Committee by Resolution MIF/DE-33/11 on September 20, 2011 (MIF/AT-1143-2) and forms the basis of the Administrative Agreement with GAC for the Caribbean EcoMicro Program, signed on March 21, 2016. In August 2018, the disbursement deadline of the Program was extended until November 30th, 2022.
- 1.3. In response to the COVID-19 pandemic, the EcoMicro Team developed the *COVID-19 Impact on Caribbean EcoMicro Program and Proposed Recovery Responses*⁶ which recognized the need for building greater resilience for current economic recovery and future risk. It proposed to concentrate efforts on: (i) immediate response measures and (ii) medium-term recovery efforts in response to needs on the ground. This approach is aligned with the overall outcome of the Caribbean EcoMicro Program as outlined in the Administrative Agreement with GAC, notably to strengthen FIs and increase the resilience of MSMEs and households⁷.

² Resolution MIF/DE-33/11 (MIF/AT-1143-2)

³ Resolutions DE-89/15 and MIF/DE-38/15 (MIF/AT-2243-3)

⁴ Resolutions DE-46/16 and MIF/DE-43/16 (MIF/AT-1143-4 and MIF/AT-1143-5 respectively)

⁵ The three intervention areas are: (i) design and implementation of the green finance product; (ii) assessment of the institution’s loan portfolio vulnerability to climate change; and, (iii) greening the FI through development of environmental guidelines and policies.

⁶ See EZSHARE-9515939-101.

⁷ See Administrative Agreement with Global Affairs Canada, Annex A: Project Specific Grant, EcoMicro Facility (RG-X1131), Section II. Caribbean Extension, Art. 2.9 Outcomes, which lists the main outcome of the Caribbean EcoMicro Program as follows: “The goal of the Program in the Caribbean will follow the goals set by the MIF Donors Committee approval – to increase adoption of renewable energy, energy efficiency, and adaptation technologies by micro, small, and medium enterprises and households. The Program will also seek to strengthen FIs, reduce energy costs for MSMEs and households, and increase the resilience of MSMEs and households”.

1.3.1. **Immediate Response Measure** - the EcoMicro Team commissioned a *Financial and Socio-Economic Impact Assessment of COVID-19 of Financial Intermediary Partners*⁸ (herein referred to as 'Impact Assessment') funded through the IDB Lab contribution to EcoMicro (RG-M1205). The key objective of the Impact Assessment was to build capacity of EcoMicro Caribbean FIs to implement more optimal resiliency strategies, backed by empirical data, that would safeguard the economic potential of MSMEs in priority economic sectors (e.g. tourism, agribusiness).

1.3.2. **Medium-term Response Measure** - on 11 May 2020, agreement was reached between IDB Lab/EcoMicro and GAC to finance the proposed resiliency project with the balances remaining under the GAC contribution to EcoMicro, Component II: EcoMicro Projects⁹. The agreement enabled the EcoMicro Team to (i) originate the project outside of a Call for Proposals, and (ii) design a regional operation outside of the three intervention areas. The EcoMicro Project Team successfully pitched this project proposal to IDB Lab's Unit Chief, Discovery and Principal Advisor, on 17 August 2020¹⁰.

1.4. This is the **twenty-sixth EcoMicro project** and the **eighth to be funded by GAC**, through resources from the Canada Cooperation Framework (CCF), under MIF-AT-1143-4 the EcoMicro Operation ATN/CN-15796-RG, Project: RG-X1131 EcoMicro2/EcoMicro3 – Green Finance for MSMEs and Low-Income Households.

1.5. Delegation of Authority to IDB Lab Management for Project Approvals: The Donors delegated authority to the IDB Lab Chief General Manager for the approval of projects under the EcoMicro Program (MIF-AT-1143-2, Resolution MIF/DE-33/11, Par.4.).

II. THE PROBLEM

A. Problem Description

2.1. MSME customers of EcoMicro Caribbean FIs are constrained by numerous factors, including climatic and health impacts (e.g. COVID-19). The COVID-19 crisis has both highlighted and exacerbated existing challenges faced by MSMEs and has created a significant exogenous shock on economic, political, and social processes. The shock has left MSMEs, the majority of which are microbusinesses, in an increasingly fragile situation, which in turn is impacting the financial health of EcoMicro FIs. The key challenges arising from COVID-19 are defined below:

2.2. **Significantly exacerbated the vulnerability of MSMEs/microenterprises, and at the same time highlighted their critical socio-economic role in Caribbean society.** Microbusinesses are often sole traders that constitute the single source of income for a household; this livelihood funds family health and education. In response

⁸ Twelve EcoMicro Caribbean partner FIs participated in the assignment, which concluded in December 2020, representing the diverse financial landscape in the region, as follows: Nine (9) Credit Unions: 8 Member Credit Unions of the Belize Credit Union League2 (Belize); COK Sodality Co-operative Credit Union (Jamaica); Two (2) Development Banks: Development Finance Corporation (Belize); Grenada Development Bank (Grenada); One (1) Microfinance Institution: National Development Foundation of Dominica (Dominica).

⁹ The document entitled 'Summary of COVID-19 impact on Caribbean EcoMicro Projects and Proposed Next Steps' outlining the proposed Action Plan by the EcoMicro Program to support recovery of EcoMicro FIs and End-Clients was submitted to GAC on April 17 2020 and received approval on May 05 2020. See *EZSHARE-584020494-3* and *EZSHARE-584020494-2* for the proposal and details of the submission and approval by GAC.

¹⁰ This is the procedure for approval of all Projects under the EcoMicro Facility that are not sourced via a Call for Proposals.

to COVID-19, some microbusinesses are both survivalist and opportunistic, having been set up due to loss of salaried employment and therefore acting as an employment of last resort. Additionally, some microenterprises are additive sources of income due to insecure or variable salaried employment. *These factors make shoring-up and strengthening these businesses critical.*

- 2.3. **Created unprecedented sectoral disruptions impacting MSMEs across the Caribbean, many of which are still bearing the impact of previous climatic and economic shocks¹¹.** COVID-19 and its knock-on effects are being experienced particularly acutely in tourism-related businesses (both directly and across ancillary services), including the agriculture and fisheries sectors, which depend heavily on tourism supply chains. Tourism, agriculture, and fisheries not only represent the main economic drivers of Caribbean economies but also represent the leading sectors of MSME engagement and job creation. *While the challenges faced by MSMEs are varied, they necessitate resiliency-based solutions – resiliency to economic shocks, climate change, and structural changes. Digital solutions offer flexibility and sustainable access in the longer term, offering a pathway towards navigating responses to COVID-19 and alternative business and job creation opportunities in an efficient, safer, and cost-effective manner in the longer term.*
- 2.4. **Credit Unions, Microfinance Institutions and Development Banks which service MSMEs (EcoMicro’s main clients) have taken a significant hit.** The knock-on effect of the impact of COVID-19 on EcoMicro FIs has been substantial and continues to unfold. Preliminary data from the Impact Assessment (see Article 1.3.1.) suggests that certain Caribbean FIs already had substantial non-performing loan (NPL) balances, sometimes as high as 46% of their total portfolio value. There have been sectoral differences with NPL percentages, varying across types of institutions. Discussions with FIs’ senior management and loan officers highlight three trends not yet apparent in the data but expected in time to materialize: an expectation that Portfolios in Arrears (PAR) and NPL figures will rise over the coming months as moratoria placed on loans by the FIs in response to COVID-19 expire; an increase in applications for MSME loans as individuals have lost formal/other sources of employment and seek to start new businesses; and a significant impact on all MSMEs linked to tourism, including, in some instances, total collapse of that industry.
- 2.5. **FIs have very limited digital capabilities to serve their clients,** limiting their ability to overcome economic shocks, such as that brought on by COVID-19. In addition, FIs do have access to digital solutions which are largely dependent on global technology solutions that are too expensive, not scaled to the local context, or not appropriate for their needs. Certain FIs in the region are entirely reliant on paper applications, for example, limiting activities and the reach of the institutions, especially during the COVID-19 pandemic when physical locations were closed. Insufficient digitalization creates operational inefficiencies, in addition to limiting the access to information FIs have for their own portfolios, customers, and risk (foremost credit and liquidity risk).
- 2.6. **Information asymmetries hinder Caribbean FIs and MSMEs from adopting local and regional FinTech and other digital solutions.** Despite FIs and MSMEs being primed for digital solutions, and despite the Caribbean FinTech sector being

¹¹ In particular the hyperactive 2017 Atlantic Hurricane Season which caused catastrophic impact across the region, at a time when many Caribbean economies were only beginning to emerge from the long-term impact of the global financial crisis.

comparatively dynamic, significant information asymmetries hinder Caribbean FIs from accessing local or regional FinTech solutions that would offer more appropriate solutions for their customer segments. Additionally, local FinTech entrepreneurs require technical support and facilitated exposure to a potential client base in order to tailor their solutions to specific needs. *The ecosystem of digital solutions that are available to customers of FIs requires connecting the dots in order for customer businesses to access digital solutions and make upgrades in their business practices to respond to dynamic shifts that confront them.*

- 2.7. **MSMEs require access to working capital and awareness raising to invest in digital solutions:** FIs have not prioritized balance sheet lending availability within their portfolio towards underwriting loans in pursuit of helping their MSME customers to digitalize their businesses. In addition, there is some unfamiliarity among loan staff on the gamut of FinTech and digital solutions that might be suitable for their customers. This requires building internal exposure for FIs to the merits of FinTech and digital solutions so that they can market the benefits for their customers, including severely low digitalization among senior business owner demographics.

B. Project Beneficiaries

- 2.8. The direct beneficiaries of this project are 10 FIs, 60 FinTech/digital solution providers, and 675 MSMEs across 8 countries – Belize, Dominica, Grenada, Guyana, Jamaica, Saint Lucia, Suriname, and Trinidad and Tobago. These include women-owned businesses and those that represent senior business owners that are part of the silver economy.
- 2.9. The technical assistance to develop digital solutions for resiliency and strengthening will benefit at least 10 FIs and is expected to benefit 675 MSMEs (split into agro-related MSMEs and other, largely service-related MSMEs), and 60 FinTechs/digital solution providers.
- 2.10. Local incubators, start-up innovation hubs, entrepreneurship networks, business development support providers (hereinafter referred to ‘accelerators’) will also benefit under this project through collaboration with FIs and their MSME end-clients; these connections will be introduced and facilitated by the Executing Agency (EA). Accelerators will incubate FinTech providers, and local tech developers and entrepreneurs, involved in the creation of solutions for MSMEs, and will in turn benefit from the technical guidance and participation in the project by developing their business and market entry propositions and expanding their understanding of market frictions.
- 2.11. The Program will indirectly contribute to household resiliency by supporting family members who rely on business income for anchor needs, including health and education.

III. THE INNOVATION PROPOSAL

A. Project Description

- 3.1. The objective of this project is to increase adoption of digital innovations that promote business and resilience and enhanced productivity among FIs and their MSME clients. This will be accomplished through the use of FinTech and other digital solutions, creating pathways for adoption in collaboration with local incubators, accelerators, innovation hubs and FinTech startups and post-startups. This includes (i) upgrading FIs internal operations/business operations as well as their client services through digitalization and online banking solutions; and (ii) facilitating access for their MSME customer base to a wider ecosystem of fit-for-purpose digital solutions and financial technology (e.g. e-commerce, online inventory management, digital marketing and development, business continuity and supply chain resilience, etc.).
- 3.2. **Gender.** Female entrepreneurship in the Caribbean faces socio-economic and cultural barriers that limit access to finance and result in a lack of tailored business support and entrepreneurial training. In the Caribbean, female sole-ownership and co-ownership in retail, hotel, and restaurant sectors is higher than that for men¹². While this highlights high levels of female entrepreneurship in these sectors, they are predominantly in domestic oriented and often saturated markets which do not have high growth potential and have been disproportionately impacted by COVID-19¹³. Recognizing these challenges, this project will: (i) engage women-owned businesses, entrepreneurs, and digital solution providers to ensure that there is a spotlight on maximizing the market opportunity and increasing both financial and digital inclusion of women-owned businesses; (ii) address cost barriers by improving access to women-owned businesses to FIs and providing cost savings and growth opportunities through accessing digital solutions; and (iii) curate virtual networking/match making sessions for women to bridge the lack of interconnectivity between women-owned businesses.
- 3.3. **Silver Economy.** In Latin America and the Caribbean, the population that is 65 and older has grown from 6 to 9 percent of the overall population from 1990 to 2019 and the share of older persons in the Caribbean is projected to at least double by 2050¹⁴. The labor force participation rate is high among the 55-64 year-old population in the Caribbean and, in at least half of the countries considered for this project, is between 17 and 32 percent of the 65 and over population.¹⁵ The importance of the silver economy touches both employees of businesses as well as MSME business owners, a core beneficiary group of this project. Incorporating the silver economy into programming is critical to ensure that this demographic is not left behind by innovations, especially in the space of digitalization where interventions have both the possibility of alienating the population and also the huge potential to make markets more accessible. This potential is particularly salient and critical in this moment, given the acute effects of COVID-19 on older populations. Engagement with the silver economy will be explored during digital product design and development. The engagement will support solutions that are inclusive of this demographic. To guarantee that the silver economy is included, the EA will develop the Regional

¹² Profiling Caribbean Women Entrepreneurs, World Bank, 2015.

¹³ Ibid., 2015.

¹⁴ World Population Ageing 2019, United Nations Department of Economic and Social Affairs.

¹⁵ ILO Estimates 2020, International Labor Organization (ILO)

Manual with requirements for training and digital solution application that are targeted for this demographic.

- 3.4. **Innovation.** This project is innovative as it harnesses an ecosystem approach to build resilience of EcoMicro FIs as well as the wide spectrum of business customers that they serve through digitization. FIs will both be beneficiaries of this project, by being part of the target group for the FinTech and digital solutions, and an integral part of the development of solutions for MSMEs, as they will help finance the adoption of solutions by providing access to finance necessary for MSMEs to integrate the digital solutions into their business. This rigorous win-win approach will further strengthen the FIs' financial (prudential) health as MSMEs build resilience and upgrade their business operations and practices.
- 3.5. **Knowledge.** The project will offer salient case studies, generating real evidence and best practices on how supporting digitalization can create stronger business ecosystems and help FIs and their MSME customer base be more resilient to confront future economic shocks, whether health or climatically induced. The EA will work with IDB Lab to ensure knowledge sharing throughout the project in order for stakeholders to learn from one another from the onset.
- 3.6. **Component I: Facilitation of FinTech and Digital Solutions for Financial Intermediaries.** The objective of this Component is to facilitate a viable ecosystem of service providers that can help FIs to locally integrate digital tools into their operations to improve their processes and client service through digitalization. Whilst not intended to replace key analog processes (such as face-to-face interviews and site visits that build mutual relationships and trust between the FI and clients/members), digitalization is intended to decrease administrative overhead, and improve administrative efficiency and data security, and allow for enhanced access to financial tools for clients.
 - i. *Establishing a pipeline of FIs:* building on initial engagements with Caribbean EcoMicro FIs conducted by the IDB Lab EcoMicro project team, during the project design phase, the EA will initiate the overall project with further outreach and engagement with the Caribbean EcoMicro FIs (and beyond as needed), in order to ensure a holistic understanding of the opportunities under this project, respective roles and responsibilities of key actors, and interlocking project components. This will be undertaken in order to secure buy-in by the FIs in the project. The EA will then plan a phased roll-out of activities under this component, scheduling activities with FIs according to their readiness to participate.
 - ii. *Digitalization Audits:* Via digitalization audits, the EA will guide FIs on securing appropriate digital software solutions and/or digital product development, commensurate with the FIs' needs. The digitalization audits will include a discovery session to establish understanding of FIs' processes and ensure integration of digital solutions. This will be done in conjunction with background research on the institutional capacity of the FIs garnered through the Impact Assessment and previous EcoMicro project documents (including in particular the Landscape Analysis and Market Studies undertaken within the scope of each Caribbean EcoMicro project). The audit will take into account software

infrastructure (Management Information Systems, Reporting Systems, Administrative Tools), hardware (computers, servers, smart phones), enabling environment and exogenous limiting factors (internet access, penetration, and connectivity limits), and staff capacity and skills. Based on parameters established during the discovery session with FIs, the audit will include consultation with FinTech providers on locally-available solutions.

- iii. *Digital Solution Adoption:* The EA will work with FIs to develop an action plan for incorporating selected digital solutions into FI software infrastructure. Action plans will include guidance on criteria of digital solution selection, intended benefits, and future planning based on technology lifespans. Action plans will be informed based on needs highlighted in the Credit Risk Diagnostics carried out under the Impact Assessment and in the digitalization audits. The action plans will include necessary training commitments for the use of integrated digital solutions for appropriate FI staff. Digital software solutions laid out in the action plans will, where possible, be locally sourced in the Caribbean or wider LAC, however, where non-regional technology is demonstrated as the most suitable solution, efforts will be made to procure these digital solutions. If there are no digital solutions available immediately, the solutions will come from work under Component II as part of the Innovation Ecosystem and Digital Solution development. To do this the EA will create linkages with local FinTech providers to engage in solutions relevant for local business communities, including encouraging joint ventures or collaborations with more advanced FinTech providers.
- iv. *Networking and Connections:* In order to garner the most benefit from this regional project, the EA will connect FIs across the program to engage in regional knowledge sharing. The EA will facilitate learning exchanges as an opportunity for FIs to share best practices and challenges across markets, and regionally, with other FIs and potentially input into policy upgrades with key stakeholders such as Central Banks. Where possible the EA will work with apex structures that federate multiple institutions (e.g. Belize Credit Union League) to convene FIs to foster mutually-beneficial dialogue, disseminate knowledge on best practices, and standardize operational practices among member institutions.

3.7. **Component II: Innovation Ecosystem and Digital Solutions Development.** The objective of this Component is to develop digital solutions for MSMEs, that are existing and potential clients of the FIs, through the development of tailored solutions by local entrepreneurs. The EA will collaborate with accelerators to develop solutions that address the specific needs and challenges of MSMEs in services¹⁶ and agribusiness.

- i. *Stakeholder Engagement:* the EA will conduct a series of stakeholder interviews with accelerators, among others, to source input on the strengths and weaknesses of the local market and potential for collaboration. In particular, the EA will be seeking organizations in each market whose mandates are aligned with the goals of the project, who will be incentivized to adapt their programs and

¹⁶ I.e. hospitality, small-scale manufacturing, retail, food and beverage, health and beauty, vehicle repair and maintenance.

service offerings to support vulnerable MSMEs in their markets, and who have the capacity and reach within the entrepreneurship communities they serve to implement the programming necessary under this component. The engagement period will also focus on the specific activities that should be conducted in each market, looking at the growth stage of active businesses. The EA will also establish a pool of FinTech and other relevant digital service providers either with a local market or regional scope. This will include integrating the experience and learnings of both previous and ongoing IDB Lab initiatives. This includes, for example, collaboration with digital solution innovations that come out of the INTEcGRA initiative¹⁷. The EA will also explore synergies with the ongoing IDB Lab project with TechBeach Retreat (RG-T3561)¹⁸. The program will also engage with the findings that come out of the IDB co-sponsored '*The Global Microscope 2020: The role of financial inclusion in the Covid-19 Response*'.

- ii. *Regional Manual Development*: The EA, together in IDB Lab, will develop guidelines for sourcing and selecting start-ups and tech entrepreneurs to be involved in the development of digital solutions specific to the target MSMEs. This Manual will be established for the accelerators to ensure that the process of attracting start-ups and more mature businesses, fostering business innovations, and embedding them in the MSME community is done uniformly across the countries involved in this project. The Manual will guarantee that programming is done through a transparent and competitive process¹⁹. The Manual will also be used as a knowledge product for future IDB Lab projects²⁰.
- iii. *Facilitation of Collaboration with Accelerators*: During Partnership Facilitation, the EA will work with at least 3 selected accelerators to develop implementation arrangements that would guide the overall collaboration process. It is intended that collaborations will be sought with accelerators that cover one or more countries – and that together these shall have the geographical coverage required to meet the needs of this project. Collaboration will target information asymmetries between entrepreneurs and MSMEs/FIs, providing technical support, training, and linkages to previously disconnected stakeholders. The EA will seek organizations that already have an alignment with the project in terms of scaling entrepreneur-support resources and expanding the reach of startups in their cohort. While direct monetary support will not be available, collaboration will be incentivized through the provision of in-kind support from the EA. This may include development of training modules, startup mentoring and coaching, and access to regional networks. The following collaboration models

¹⁷ INTEcGRA is an ongoing IDB Lab initiative to support the continuity and resilience of neighborhood stores during and after COVID-19, through scalable digital solutions and other innovations through two lines of action: Short Term Prototypes for Business Continuity (Line 1); and Mid to Long Term Projects for Resilience and Growth (Line 2)

¹⁸ The objective of this project is to create an integrated and coordinated regional innovation ecosystem in which Caribbean tech businesses have access to highly skilled tech industry advisors, mentors and capital to advance their competitiveness in global markets, accelerate their growth and their ability to scale.

¹⁹ In order to uphold transparency in the sourcing methodology, solutions will exclude any proprietary digital solutions developed by the EA.

²⁰ This is in keeping with Section VIII Intellectual Property, which states IDB Lab will retain the IP on knowledge products and materials produced with the funds disbursed under the project.

may be pursued depending on the results of the ecosystem mapping exercise and the stated interests of the stakeholder:

- Collaboration with accelerators to host cohorts of entrepreneurs at an early stage of ideation to develop digital solutions fit for purpose for MSMEs and FIs in the market.
- Collaboration with accelerator programs (preferred) to host companies ready to scale to new products or innovations specifically for MSMEs/FIs in the market.
- For less advanced markets, hosting of innovation events (startup weekends, pitch competitions, reverse pitches, etc.) with accelerators to source proven solutions in the local or regional markets.

iv. *Digital Solution Development and Deployment:* Once collaborations with relevant accelerators have been established, the EA will work closely with the accelerators to implement the development and deployment of digital solutions for MSMEs. Key also to this activity will be building an institutional connection between accelerators, FIs, and MSMEs that can last beyond the project implementation period. This will be facilitated by the EA who will host field days, virtual trade fairs, and webinars to gain insight directly from MSMEs and ensure knowledge sharing across the project.

Below is an illustrative example of the roles and responsibilities of the EA and the Accelerator respectively under this pillar:

Role of EA	Role of Accelerator
<ul style="list-style-type: none"> Development of training manuals on the MSME market and/or entrepreneurship topics 	<ul style="list-style-type: none"> Manage acceleration activities
<ul style="list-style-type: none"> Facilitation of market research tours and other customer discovery events to better expose needs and pain points of MSMEs 	<ul style="list-style-type: none"> Provide general entrepreneurship support and capacity building
<ul style="list-style-type: none"> Mentoring and coaching to specific startups in each cohort 	<ul style="list-style-type: none"> Provide co-working space or event space for program implementation
<ul style="list-style-type: none"> Connection with regional entrepreneurship programs 	<ul style="list-style-type: none"> Provide coaching or training delivery within their scope of expertise
<ul style="list-style-type: none"> Delivery of capacity building sessions to entrepreneurs 	<ul style="list-style-type: none"> Conduct learning surveys or discussions to understand the challenges of startups in reaching MSMEs
<ul style="list-style-type: none"> Market linkage events (virtual) 	<ul style="list-style-type: none"> Bring in additional technical expertise where needed (fund applications possible)

v. *Networks and Contacts:* The EA will also provide global and regional linkages through its professional network to provide further collaboration incentives and create sustainable linkages in the ecosystem. The EA as a member of the Global Accelerator Network (GAN) brings a consortium of potential connections and expertise to the innovation ecosystem. The EA will use its regional networks,

nationally, regionally, and globally, to convene partnerships with accelerator networks, FinTech providers, locally operating multi-national corporations (MNCs), and regional financial institutions beyond the EcoMicro FIs (including funds, development banks, microfinance institutions, credit unions, and commercial banks). The EA will conduct outreach with accelerator networks and FinTech companies with expertise in the Caribbean region. This will secure local buy-in for programming and provides a platform for which to find, train, and support developers working on digital solutions for the FIs and MSMEs. Working with regional actors allows for scalability given that the knowledge and capital developed will be retained within the region and iterated on for continuous growth. The EA will explore the cash leverage opportunities that could be developed by these accelerators investing in the Caribbean region. The EA will target cash leverage that can contribute directly to the program's Technical Assistance Fund (see below).

- vi. *Technical Assistance (TA) Fund (US\$300,000/EcoMicro funds)* will be used to further engage stakeholders across the innovation ecosystem, from start-ups to accelerators, to support them in activities that are necessary to their growth and development in line with this project. This will play an important role in Component 2 in particular. The Fund will support start-ups and more mature innovators in areas of discrete technical assistance which will feed into the development of digital solutions for FIs or MSMEs. The TA Fund will support the regional innovation ecosystem by bolstering the accelerators and incubators in which they operate. This support will ensure that the ecosystem partners are incentivized to work in tandem with the EA and ensure that the EA does not replace their natural functionality in the system. The TA Fund may be used to procure technical assistance that supports multiple businesses in their portfolios. The timeline of the funding rounds will be set up to ensure an equal review across countries. A Technical Assistance Selection Committee comprised of two members of the EA team and representation from IDB Lab will ensure that the selection process is independent of the accelerators that they support.

In order to be eligible for these funds, the accelerators must specify how the funding will be applied towards precise technical assistance needs that they identify for themselves or for business members (i.e. software or hardware engineering, business curriculum development, business portal development, and communications and social media marketing). Innovation businesses which apply directly will need to identify how the funding will be used to accelerate their digital solution deployment to the target MSMEs. Additionally, the beneficiaries will be required to contribute a 30 percent contribution, in line with the Regional Manual. The EA will provide financial and fiduciary quality assurance by managing, recording, and tracking the disbursements. The EA will develop clear application requirements, with advertising and marketing done by accelerators. The EA will collect applications, review based on transparent criteria, and match awardees with technical assistance, as well as develop scopes of work for consultants, as necessary. The contracts will ultimately be facilitated between the awardee and technical assistance provider via an accelerator or incubator. This sustainable approach to funding distribution allows the EA to respond to natural

demand for upgrades in the regional innovation ecosystem through improvements to their offerings and support for start-ups and entrepreneurs. Additional financing for the Technical Assistance Fund will be championed by the Project Director and Regional Engagement Manager from the EA in coordination with IDB Lab.

As part of extending the reach of the Program to larger regional financial institutions, including commercial banks, the EA will aim to attract investable opportunities that also dovetail with corporate and sustainability objectives, including goals on increasing the financial inclusion of MSMEs and expanded access to FinTech and digital solutions. Additionally, the EA will engage with initiatives that develop the wider ecosystem linkages between MSMEs and buyers upstream in their supply chain, including MNCs that include these same MSMEs in their supply chains. This will ensure that the project leverages the wider potential of FinTech and digital solutions, contributing to MSMEs' commercial sustainability and optimization of production, manufacturing, distribution, and sales. The EA will also leverage its reach to funds and philanthropic capital that exists in the region, either via programs under its management in the Caribbean or those managed by others.

3.8. **Component III: Design and Pilot of Digital Loan Products for MSMEs.** Consistent with other EcoMicro programs, the objective of this component is to promote the requisite access to finance for MSME customers to adopt digital solutions through a tailored financial product underwritten by participating FIs.

- i. *Development of Pilot Program:* The EA will work with FIs to encourage them to mobilize their business lending portfolios to accommodate specialized lending towards the objectives of securing services and software solutions that digitalize their MSME customers. The EA will work in tandem with the FIs to solidify the demand for digital solutions developed in Component II, including measuring both the ability and willingness to pay for the solutions, via digital surveying and qualitative research methods. Entrepreneurs and startups working on such digital solutions may also be brought into this process to advise on payment cycles, upfront costs, and other critical financial aspects that help in a loan product adaptation and roll out.
- ii. *Operational Guidance:* The EA will develop operational guides calibrated for each of the participating FIs to ensure that the rollout of the pilot is measured and commensurate with practical product development and consistent with their different approaches to loan underwriting. Where possible, a common approach will be sought and be informed by the research that underpins the development of the specialized loan product.
- iii. *Loan Officer Training:* The EA will deliver training sessions that help integrate financing of digital solutions into their existing loan processes. FIs will work in collaboration with accelerators and MSMEs to ensure buy-in and assurance that they can communicate and advise their clients effectively on a loan product that supports their customers in incorporating digital solutions into their business.

Digital solutions will be those that already exist in the market and those that come directly out of collaboration with accelerators and developed as vetted solutions through processes such as innovation challenges. The EA will work with FIs to build an approved list of digital solutions, in order to refer to the particulars of those solutions. This will help expedite loan underwriting decisions due to greater familiarity among FIs on the solutions and will also help ensure that they limit any risk of miss-selling a financial product, safer in their understanding of these solutions and how to market the loan product. The approved list will be informed by regional research that comes from the work in Component II.

The EA will support the FIs to work in tandem with their business innovation partners to secure natural mentorship and knowledge sharing amongst MSMEs who utilize the digital loan product or are yet to see the advantages of digitalization. FIs and their loan officers will be responsible for product branding and communication to their clients in order for the loan product to be effectively communicated. The EA will also work with FIs to help them identify "Digital Champions" among their customers. The "Digital Champions" will help demonstrate the business upgrade possibilities that digitalization brings and act as word of mouth marketeers for the FIs. Careful consideration on the "Digital Champions" should include ensuring that their customer representatives, who provide mentorship and leadership in digitalization, represent a range of demographics including representation for women-owned business and senior business owners.

- 3.9. **Plan for Scale:** Building on the experience of past EcoMicro projects, the EA will provide support to the FIs to scale the loan products following the pilot period. In other projects, some FIs have continued to offer loans with their own resources while others have attracted private investment. During scale, FIs participating in this pilot will endeavor to scale digitization finance across their wider portfolio as well as attract new clients. The EA will facilitate preparation for scale in each market by analyzing demand projections and financial analysis based on the results of the pilot. The EA will also prepare and present the scale strategy to the respective FIs for review, including recommendations for leveraging private/donor funds and training additional staff. Though the scale strategies will be customized for each market, the EA will seek to bring in cross-country learnings where possible and identify common themes and strategies.

B. Project Results, Measurement, Monitoring and Evaluation

- 3.10. **Project Results.** By the end of this project the following results are expected: (i) develop digital solutions for at least 10 FIs (including digitalizing payments, optimizing loan repayments, and training on digital solutions for FIs).; (ii) benefit 675 MSMEs (split into agro-related MSMEs and other, largely service, related MSMEs) through the development and integration of digital tools that will strengthen their resiliency (including areas such as eCommerce, market expansion and development, business continuity, and supply chain resilience).; (iii) build the capacity of 60 FinTechs/digital solution providers to facilitate local entrepreneurs and tech developers to tailor local solutions.

- 3.11. **Measurement.** The EA will measure project results using collaborative engagement with the FIs and accelerators. The FIs and FinTech/digital solutions provider and accelerators will be trackable by their direct involvement with the EA and through the pilot we will monitor reach to MSMEs. Data captured for the FIs, MSMEs, and FinTech/digital solutions providers will be disaggregated to understand the various factors of project inclusion. For FIs, this will involve what digital solutions are implemented, what are the anticipated impacts, and how deeply and broadly its integration is across the institution. For the MSMEs this will include uptake of digital solutions as well as general data to understand the target groups, such as demographic, gender, sector, and financial access. For FinTech/digital solutions providers, in addition to gathering information on their size and firm, we will monitor involvement in the project as it pertains to both FI and MSME digital solution development.
- 3.12. **Monitoring and Evaluation.** The baseline will be verified during the start of the project via existing reports and information available under EcoMicro, and also information to be gathered during the desktop research and ecosystem mapping stages in Component II, and data will be compiled throughout the Component III pilot phase. Baseline information will include key ex-ante data such as FIs' initial technological processes utilized, MSME digital tool penetration rates (for example online marketing or e-commerce), and FIs reach and ability to scale.
- 3.13. The EA will use the data gathered throughout Components I, II and III to create an organic system (i.e. participation of project stakeholders/beneficiaries) in the generation of data for monitoring and evaluation. This will use the existing innovation ecosystem and the data flow across the program components to ensure that there is effective monitoring of project processes and accurate analysis of results and outcomes. By facilitating the insights and learning garnered throughout the project with regular check-ins with the FIs, as well as developing a system of robust data gathering through the pilot phase, the EA will work with the EcoMicro Program Facility to ensure continuous learning, sharing of best practices, and development of processes throughout the project.
- 3.14. Within IDB/IDB Lab, the project will be supervised by the IDB Lab EcoMicro Program Team Leader supported by the EcoMicro Program Analyst within CCB/CBA. The Country Office in Barbados will retain responsibility for disbursements.
- 3.15. **Reports.** The EA will be responsible for presenting Project Status Reports (PSRs) within thirty (30) days after the end of each semester, or more frequently as determined by the IDB Lab by providing at least sixty (60) days advance notice to the EA. The PSR will contain information on the progress of project execution, achievement of milestones, and completion of project objectives as stated in the results matrix and other operational tools. The PSR will also describe issues encountered during the execution and outline possible solutions. Within ninety (90) days after the end of the execution term, the EA will submit a Final PSR to IDB Lab, which will highlight results achieved, project sustainability, evaluation findings, and lessons learned. These reports are necessary to comply with the Program Evaluation

Plan that requires annual reports to the Donor's Committee describing the progress, performance, and all recorded results.

- 3.16. **Final Evaluation:** IDB Lab will commission a case study that captures the experience, outcomes and lessons learned under this project, with resources from its contribution under the EcoMicro Program (RG-M1205). The evaluation of EcoMicro Projects may be undertaken individually or in a cluster with other projects.

IV. ALIGNMENT WITH IDB GROUP, SCALABILITY, AND RISKS

A. Alignment with IDB Group

- 4.1. This project is fully-aligned with IDB's "Vision 2025" strategy which focuses on five core pillars: (i) digitalization, (ii) strengthening value chains and nearshoring, (iii) climate, (iv) small- and medium-sized enterprises, and (v) gender. Key to this alignment is the project approach to promote digitization of MSMEs through collaboration between FIs, and Accelerators who will facilitate access of FIs' MSME customer base to fit-for-purpose digital solutions and financial technology in a range of areas including e.g., e-commerce, online inventory management, digital marketing and development, business continuity and supply chain resilience, (etc.).
- 4.2. The project will also complement the work being carried under the existing EcoMicro Caribbean Program (RG-X1131) to build climate resilience of MSMEs and low-income households, by recognizing the importance of building broader resilience in order to sustain momentum for climate finance throughout the region.
- 4.3. Given its regional scope, the project aligns with the objectives of several IDB Country Strategies as follows: (i) IDB's Country Strategy for Barbados 2018-2023 to, inter alia, promote greater productivity and competitiveness as key to long-term growth. This includes addressing challenges such as the underuse of new technologies, challenges in accessing finance particularly which affect MSMEs and women-led businesses disproportionately; (ii) IDB's Country Strategy for Belize 2013-2017 (extended) to promote private sector development; (iii) IDB's Country Strategy for Guyana 2017-2021 to facilitate private sector development through initiatives that support the delivery of better services, increase firms' access to credit and assist companies to achieve productivity gains through investments and advisory services that promote innovation and adoption of sustainable business practices; (iv) IDB's Country Strategy for Jamaica 2016-2021 to increase private sector productivity and growth, in particular emphasizing growth entrepreneurship with a focus on social innovation, and access to finance for small dynamic businesses; (v) IDB's Country Strategy for Suriname 2016-2020 (extended) to work directly with private sector clients to enhance capacity and take advantage of growth opportunities, supporting the country's transition to higher levels of private participation in the economy; and (vi) IDB's Country Strategy for Trinidad and Tobago 2016-2020 (extended) to focus on increasing firms' access to credit and assisting companies to achieve productivity gains through investments promoting innovation and adoption of modern business practices.
- 4.4. Finally, this scope of this project as a COVID-19 recovery response initiative also aligns with the overall IDB Group's Response to COVID-19 which has a key priority

area economic productivity and employment. This includes strategies to improve finance for MSMEs impacted by the crisis as well as strategies to promote digital transformation, in particular the digitization of MSMEs to improve their operations.

B. Scalability

- 4.5. In preparation for scale-up post-project, the EA will develop a Scale Strategy across all three components of the project. As part of this Scale Strategy, consideration will be given to financial and in-kind support that can leveraged from external co-investment to propel successful activities demonstrated during execution. The Scale Strategy will explore how to exit the role of the EA and will include a focus on how FIs and accelerators will continue to own activities beyond the lifecycle of the project. This includes in particular support for FIs to scale the loan products contemplated under Component III following this project.

C. Project and Institutional Risks

- 4.6. **Market Size Asymmetry.** The eight countries considered for this project have vastly different economies and hence have innovation ecosystems at various levels of development and size. This poses a risk that smaller markets may not be able to participate as strongly as more developed markets. The project will address this risk by ensuring that, during the Stakeholder Engagement Mapping, adequate attention is given to each country to facilitate collaboration that will allow for digital solution providers and that MSMEs from every country to be included as participants and contributors to this project. The project will also address this by securing the potential of regionally-focused accelerators, headquartered in regional hubs to service the needs of smaller island markets.
- 4.7. **Technical Assistance Imbalance.** Given the asymmetry in size of the markets, and therefore the level of maturity of the start-ups and other digital solution providers within them, there is a risk that the Technical Assistance Fund will be dominated by more mature enterprises. The project will address this risk through the Technical Assistance Selection Committee which will oversee all funds that are approved and will ensure that there is even distribution of funding allocated across markets, by geography, market-size, and maturity.
- 4.8. **FI Digital Loans.** There is a risk that FIs do not have the appetite for a new loan product given the impact of COVID-19 on their business operations. The project will address this risk of low take-up by developing operational guides and trainings for FI staff to incorporate digital solutions into existing loan products. This approach will work with FIs' existing operational rubric and will help channel support towards repurposing existing loan product development, customer marketing and communication conventions.
- 4.9. **Balancing incentives and financial support for Accelerators.** The accelerators that the EA will work with across the eight countries will themselves be at different levels of development in serving a digital segment of businesses and have varying abilities to access incubation or growth capital for specific programming. There is a risk that without significant financial support these actors will not be able to provide adequate support needed for the development of the fintech/digital solutions for MSMEs. This will be mitigated in stages throughout the project. Concerns regarding

capacity will be outlined in the Stakeholder Engagement Mapping phase. These will be further considered and addressed through engagement. The TA Fund has limitations on meeting all the potential needs due to a smaller size. The EA will also channel the support from external co-investment towards bolstering the TA Fund and apply these funds to amplify its impact.

V. INSTRUMENT AND BUDGET PROPOSAL

- 5.1. The project has a total cost of *US\$1,300,000*, of which *US\$910,000 (70%)* will be provided by the Government of Canada, via the EcoMicro Program Facility (EcoMicro RG-O1649) with resources from CCF, and *US\$390,000 (30%)* by the EA counterpart consisting of cash and in-kind contributions. The expected execution period for this Project is 30 months and the expected disbursement period is 36 months. The project budget does not allocate resources for Contingencies, Audit and Evaluations, as these are already covered in the budget by the broader Program (RG-M1205/RG-X1131).
- 5.2. This project falls under the EcoMicro Program Facility (RG-O1649). The instrument to be used is non-reimbursable, given that most of the knowledge generated by this project is considered a public good.
- 5.3. The retroactive recognition of Counterpart funds is not applicable under this operation.

Table 1: Project Budget

ACTIVITY	CCF	COUNTERPART	TOTAL
Component I: Facilitation of FinTech and Digital Solutions for Financial Intermediaries	104,691	39,226	143,917
Component II: Innovation Ecosystem and Digital Solutions Development (including the US\$300,000 Technical Assistance Fund funded using CCF resources)	531,458	241,191	772,649
Component III: Design and Pilot of Digital Loan Products for MSMEs	143,387	48,397	191,784
Project Management/Administration	130,465	61,185	191,650
TOTAL	910,000	390,000	1,300,000
% Allocation (Total)	70%	30%	100%

VI. EXECUTING AGENCY (EA) AND IMPLEMENTATION STRUCTURE

A. Executing Agency(s) Description

- 6.1. As a trusted client of the IDB, USAID, FCDO, the European Commission, and many private sector clients, DAI Global, LLC (DAI Global) will serve as the Executing Agency (EA) for this project. In its role as EA, DAI will be responsible for the overall management and quality of the project.

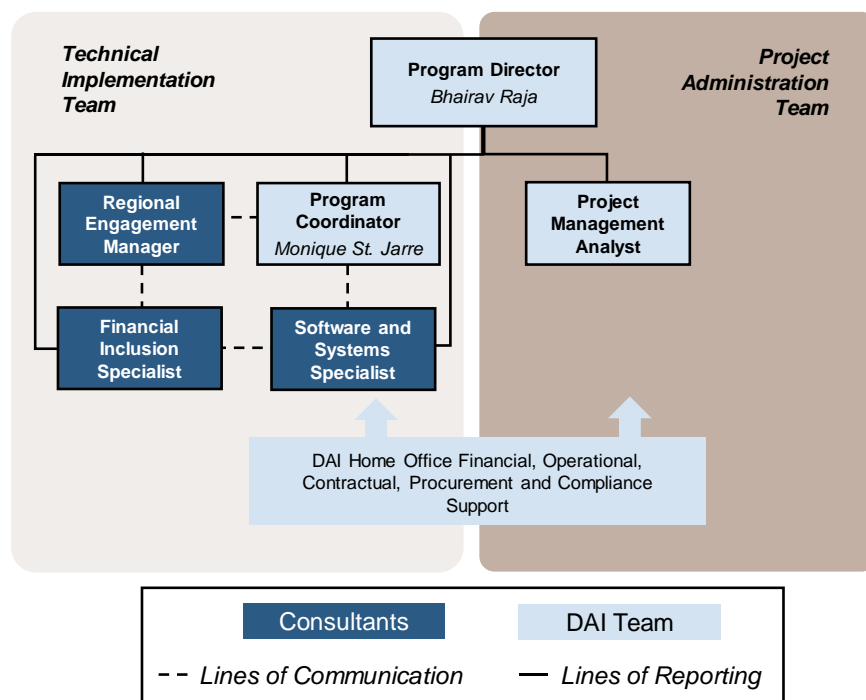
- 6.2. Founded in 1970, DAI is a for-profit, mission-driven, global development company with a decades-long track record of supporting donor, government, and private sector clients to implement and measure sector-specific investments that catalyze inclusive economic growth. DAI tackles fundamental problems caused by inefficient markets, ineffective governance, and instability in sectors including economic growth, governance, global health, information and communications technology, environment and energy, stability, and sustainable business.

B. Implementation Structure and Mechanism

Program Structure

- 6.3. DAI's teaming structure for the program is comprised of seasoned experts with the skills, networks, and expertise to create meaningful change for FIs and their MSME clients throughout the Caribbean. With a select team of technical experts who bring complementary skills in regional entrepreneurship, access to finance, and digital solutions, the project will be at the forefront in creating new linkages for MSMEs throughout the entrepreneurship and innovation ecosystems. This team will be supported by a robust Project Administration team from DAI Global. The teaming structure below is designed to provide the best services to the IDB, leading on technical innovations and ensuring quality control on all work and deliverables.

- 6.4. The exhibit below illustrates the project organizational structure.



- 6.5. The Technical Team will comprise the following roles and responsibilities:

6.5.1. Project Coordinator (PC): DAI has appointed a Lead Analyst within the DAI Sustainable Business Group as the Project Coordinator. The PC will be the key interlocutor with the IDB, responsible for collecting, collating, and

submitting the required reports. The PC will also serve as a Technical Advisor across all Components. Under guidance from the Project Director, the PC will be responsible for the overall coordination of the project and will manage the implementation timeline. In particular, the PC will ensure that project staff are appropriately resourced and that technical deliverables are on track to meet the schedule of milestones and deliverables. The PC will provide technical analysis and support to the local team, pulling on her background in global entrepreneurship programming, financial inclusion, and microenterprise development to ensure that project components are complementary. This position will be funded by EcoMicro resources to the project.

6.5.2. Regional Engagement Manager (Consultant): The Regional Engagement Manager will work with the project team across all components, liaising closely with the Program Director and Program Coordinator, focusing primarily on Components 2 and 3. The Regional Engagement Manager will bring strong regional networks in the focus countries in the Caribbean in the areas of SME development, entrepreneurship, and financial inclusion. The Regional Engagement Manager will be the lead for stakeholder engagement in each market. Under Component II, the Regional Engagement Manager will lead in conducting stakeholder mapping and outreach to facilitate collaboration with entrepreneurship organizations in each market. S/he will play a critical coordinating role in developing the parameters for engagement, pulling on the global resources from DAI. The Regional Engagement Manager will also play a critical role in managing the Technical Assistance Fund, including identifying and sourcing additional sources of capital from external partners in the regional or international ecosystem. This position will be funded by EcoMicro resources to the project.

6.5.3. Software and Systems Specialist (Consultant): The Software and Systems Specialist will work with the project team to complete Component 1. The Software and Systems Specialist responsible for developing content for the digital audit, analyzing the data collected to synthesize bespoke digitalization action plans, and assisting the FIs with the implementation of the Fintech or digital solution that is determined to be most beneficial to their business. The Software and Systems will work closely with the Regional Engagement Manager and Project Coordinator to conduct a prepositioning survey which will serve as the digital audit that unpacks the existing capabilities of the FIs and their unique demands. The Software and Systems Specialist will work closely with the Financial Inclusion Specialist and FI counterparts, to determine 10 action plans for digital solution adoption, one per FI. The Software and Systems will then work closely with the FIs to procure and harmonize the solution with the FIs' existing systems and provide any necessary support during initial implementation. This position will be funded by EcoMicro resources to the project.

6.5.4. Financial Inclusion Specialist (Consultant): The Financial Inclusion Specialist will provide targeted technical advisory support to Components 2 and 3 of the project. The Financial Inclusion Specialist will work with the FIs to facilitate specialized lending products for their client MSMEs to secure digital solutions for their businesses. The Financial Inclusion Specialist will support analysis on ability and willingness to pay for solutions, utilizing both digital surveying and qualitative research methods. The Financial Inclusion

Specialist will also provide guidance on payment cycles, upfront costs, and other critical elements to aid in either the adaptation of loan products or roll out of new loan products. The Financial Inclusion Specialist will also provide technical inputs to the Operational Guides produced for each FI and contribute to the loan officer training sessions. This position will be funded by EcoMicro resources to the project.

6.6. The Project Administration Team will comprise the following roles and responsibilities:

6.6.1. Project Director (DAI): DAI's Senior Principal, Private Sector Development will perform the duties of the Project Director. The Project Director will provide high-level oversight to the project. The team members, including the Project Coordinator, Regional Engagement Manager, Financial Inclusion Specialist, and Software and Systems Specialist will report directly to the Project Director, who will ensure the highest level of technical and operational quality across Components 1, 2 and 3 throughout implementation. This position will be co-funded by EcoMicro and counterpart resources.

6.6.2. Project Management Analyst (DAI): The Project Management Analyst will provide support to the Project Administration team by processing documentation for the financial, technical, and contractual aspects of the project. The Project Management Analyst will work on project set up, registering, and procuring consultants within DAI systems. The Project Management Analyst will work monthly throughout the project on invoicing and operational budget management and will support necessary financial auditing. The Project Management Analyst will work closely with the Project Coordinator and the Regional Engagement Manager to ensure that there is efficiency and transparency in all accounting processes, including the administration and oversight of the Technical Assistance Fund.

6.6.3. General DAI Support: Supporting the Technical and Project Administration project team is a suite of finance, operations, and procurement experts, all of whom the project will be able to draw upon as additional resources throughout implementation. Finances for these resources will be provided through counterpart funding.

VII. COMPLIANCE WITH MILESTONES AND SPECIAL FIDUCIARY ARRANGEMENTS

7.1. **Disbursement by Results, Fiduciary Arrangements.** The Executing Agency will adhere to the standard IDB Lab disbursement by results, Bank procurement policy²¹ and financial management²² arrangements as specified in Annex VII and VIII.

VIII. INFORMATION DISCLOSURE AND INTELLECTUAL PROPERTY

²¹ Link to the Policy: [Procurement of Works and Goods Policy](#)

²² Link to the document [Financial Management Operational Guidelines](#)

- 8.1. **Information Disclosure.** This project is classified as public for the purpose of the Bank's information disclosure policy.
- 8.2. **Intellectual Property.** The knowledge products and materials produced with the funds disbursed under the project remain the property of the Inter-American Development Bank.

IX. RECOMMENDATION

- 9.1. The Chief of Unit, Grant's Unit, Cesar Buenadicha recommends the approval of this operation by the IDB Lab CEO, under the Delegation of Authority granted by the Donors Committee by Resolution MIF/DE-33/11 adopted on September 20th, 2011 and the use of resources from the CCF EcoMicro allocation to the EcoMicro Program, totaling up to US\$910,000, in order to finance the corresponding project.

X. APPROVAL

- 10.1. I hereby approve, according to the Delegation of Authority provided by the President of the Bank according with the facility approved by the Donors Committee by Resolution MIF/DE-33-11 adopted on September 20th, 2011 (MIF/AT-1143-2), up to US\$910,000 for the financing of the project "*EcoMicro – COVID-19 Recovery and Resilience through Digitalization of Caribbean FIs and their MSME Clients*" RG-T3780, the "Project," to be considered as part of the EcoMicro Facility.
- 10.2. That the resources of the project shall be utilized to finance the activities described and budgeted in this document chargeable to the resources of the IDB Lab under the EcoMicro Program (RG-X1131) on a non-reimbursable basis.
- 10.3. The commitment and disbursement of these resources shall be made only by the Bank in US\$. The same currency shall be used to stipulate the remuneration and payment to the consultant, except in the case of local consultants working in their own Borrowing Member Countries who shall have their remuneration defined and paid in the currency of such country.
- 10.4. No resources of the Program shall be made available to cover amounts greater than the amount certified herein above for the implementation of this Project Document.

Approved