

## Consulting support for identification, design and execution of OECS private sector innovation programs

RG-T4080

**Background of this search:** *The Caribbean Development Bank (CDB) has created a new Private Sector Division (PSD) to expand its action to strengthen private sector development in the Caribbean. To help consolidate the goals of its new PSD, the CDB requested a Global Credit Loan (GCL) from the Inter-American Development Bank (IDB) to support innovation and technology adoption including climate action in Micro, Small and Medium Enterprises (MSMEs). The CDB and the IDB have collaborated since 1977 with 9 approved operations worth US\$262 million, to support the economic and social development of six Organization of Eastern Caribbean States (OECS) member countries that are not members of the IDB, namely Antigua and Barbuda, the Commonwealth of Dominica, Grenada, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines (hereinafter referred to as Eligible OECS Member Countries).*

**Indications of long-term stagnation.** Prior to the pandemic shock, the CDB's Borrowing Member Countries (BMCs) grew on average at 1.9% over the previous decade, while other Small Island Developing States (SIDS) grew at just over 4%<sup>1</sup>. OECS Member Countries' GDP per capita grew even more slowly, at an annual average of 1.45% between 2001 and 2019. In 2020, these countries' GDP contracted by 13.7% on average, due to COVID-19's impact on tourism. Although like other Caribbean countries, the small size of these OECS countries exposes them to economic shocks, and their location makes them vulnerable to natural disasters, an analysis of the growth gap between Caribbean countries and the other small economies of the world<sup>2</sup> since the 1990s identified lower Total Factor Productivity (TFP)<sup>3</sup> growth as the most important determinant of this growth gap<sup>4</sup>. Globally, TFP accounts for most of the growth differences across countries<sup>5</sup>.

**TFP, business innovation, and digital transformation.**<sup>6</sup> One of the drivers of TFP at the economy level is business innovation, including the creation or adoption of technology, leading to higher value-added activities, products and processes, and improving the performance of existing ones<sup>7</sup>, thus increasing labor productivity at the firm level<sup>8</sup>.

Caribbean businesses invest significantly less in innovation in products and services than those of other small world economies, and this difference is concentrated in Small and Medium-sized Enterprises (SMEs).<sup>9</sup> OECS businesses innovate at even lower rates<sup>10</sup>. In addition, fewer OECS

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<sup>1</sup> Caribbean Development Bank. (2019). CDB Strategic Plan 2020-2024.

<sup>2</sup> Defined as economies with less than 3 million in population.

<sup>3</sup> TFP is the portion of output not explained by the amount of inputs used in production ([The New Palgrave Dictionary of Economics](#)).

<sup>4</sup> Ruprah, Melgarejo and Sierra. (2014). Is there a Caribbean Sclerosis?

<sup>5</sup> Easterly and Levine. (2001). It's not Factor Accumulation: Stylized Facts and Growth Models.

<sup>6</sup> Following the OSLO Manual, for this operation, innovation is defined as "a product or process, marketing or organizational method that is new to the business", digital technology adoption as "introducing methods for information processing and communication", and climate technology adoption as the adoption of new technologies that resulted in: a) reduced material and energy use or reduced/avoided GHG emissions; or b) increased recycling of waste, water or materials.

<sup>7</sup> Kim and Loayza. (2019). Productivity Growth: Patterns and Determinants across the World.

<sup>8</sup> EBRD (2015). Innovation and Firm Productivity, Chapter 2.

<sup>9</sup> Only 41% of Caribbean SMEs reported the introduction of a new product, while 59% of SMEs in the rest of the world's small economies did so.

<sup>10</sup> All references to the status of OECS firms vis a vis their Caribbean counterparts included in this document are drawn from Compete Caribbean's [Innovation, Firm Performance and Gender](#) survey data collected in 2020, and from [Sierra. \(2022\). Transformation in the Eastern Caribbean: A need for embracing innovation and technological change. Consulting report for the IDB.](#)

businesses plan to introduce an innovation in the next 3 years.<sup>11</sup> OECS businesses also lag in terms of digital technology adoption when compared to businesses in other Caribbean countries. Finally, in the OECS countries, only 29% of businesses had adopted climate technology by 2020<sup>12</sup>. This, despite their very high costs of energy,<sup>13</sup> the resource scarcity typical of SIDS,<sup>14</sup> and the new and emerging environmental issues threatening SIDS<sup>15</sup>.

Businesses in the OECS intending to innovate and/or to adopt digital technology report the following barriers, ranked by prevalence: (i) the level of available financial resources for innovation/technology adoption (63%); (ii) the lack of skills in the labor force required for innovation/digital technology adoption (44%); (iii) the degree of self-confidence for innovation/technology adoption (35%); and (iv) the relationship between cost to innovate/adopt technology and market size (33%). Only 38% of OECS businesses felt confident that they can choose the most appropriate technological responses to suit their needs. Businesses perceived COVID-19 as having made these barriers even more significant.

Recent data suggests better performance of OECS businesses that innovate or digitize. Those businesses in the OECS that had innovated and/or adopted digital technology sold, on average, 29% more per worker and were 20% more productive than those that had not innovated nor adopted digital technology.

Finally, generalized difficulties in access to financing exacerbate low private investment in innovation and technology adoption in the OECS. Nearly three quarters (73%) of OECS businesses planning to innovate or adopt digital technology reported difficulties accessing finance, and their productivity was 32% lower than non-credit constrained similar businesses.

Across the world, market failures to innovation and technology adoption are addressed through public programs that subsidize these activities<sup>16</sup>. Multiple impact evaluations of these programs, including in LAC, have demonstrated a positive effect in the development of new products and services, increased employment and wages, and increased TFP, as well as numerous positive spillovers on other firms and sectors. Research focused on the Caribbean evaluating the characteristics of businesses that participate in business support programs, and the impact of several types of support programs on participants, found that innovation support programs in the Caribbean had important effects on businesses innovation expenditure, sales, and the ability to develop new goods and services or production processes, as well as the probability of achieving the intended goals of the program<sup>17</sup>.

The objective of this consultancy is to support the CDB's PSD to coordinate the implementation of the IDB US\$20 million loan: **RG-L1160 - Strengthening Private Sector Development through Innovation in the Eastern Caribbean OECS Member Countries**, whose main development objective is to increase the productivity of MSMEs in OECS countries. Its specific development objectives are: (i) promoting innovation efforts in MSMEs of OECS countries; (ii) strengthening the supply and demand of services for technology adoption readiness in MSMEs of OECS countries; and (iii) promoting technology adoption and digitalization in MSMEs of OECS countries.

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<sup>11</sup> Small firms are defined as those with less than 20 employees, medium firms are those between 20 and 100 employees, and large firms as those with more than 100 employees.

<sup>12</sup> Authors' analysis using Compete Caribbean's [Innovation, Firm Performance and Gender](#) survey data collected in 2020.

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<sup>14</sup> <https://www.un-igrac.org/areas-expertise/small-island-developing-states-sids>.

<sup>15</sup> UNEP. (2014). *Emerging issues for Small Island Developing States. Results of the UNEP Foresight Process*.

<sup>16</sup> Hall. (2005). *The Financing of Innovation*.

<sup>17</sup> Bernini, Figal Garone and Maffioli. (2017). *Assessing the Impact of Innovation and Business Development Programs in the Caribbean*.

RG-L1160 has two components.

**Component 1. Promoting Innovation and Readiness for Technology Adoption (US\$12 million).** This component will promote innovation efforts in OECS MSMEs and their readiness for digital and/or low carbon resilient technologies by financing two new funds created and managed by the CDB as Executing Agency (EA). The products and activities financed under this component are:

**a) Innovation grants fund (US\$4.5 million)<sup>18</sup>:** Through this fund, the CDB will on-lend resources to OECS countries to be intermediated by public BSOs that in turn will finance: (i) matching grants to support the development of new products or services in existing firms, including climate products and digital products;<sup>19</sup> (ii) seed capital to entrepreneurs; and (iii) courses to assist MSMEs to become more innovative, including training of MSMEs managers and employees in design thinking. Examples of projects financed by innovation grants and seed capital grants are: (i) projects that develop new solutions to climate challenges; (ii) projects that help solve societal challenges such as digital payments or health and wellness; and (iii) projects that are based on novel research and development with a market application.<sup>20</sup>

**b) Technology adoption readiness grants fund (US\$7.5 million)<sup>21</sup>:** Through this fund, the CDB will on-lend resources to OECS countries to be intermediated by public BSOs that in turn will finance: (i) strengthening of technology extension service providers, including on conducting technology audits on the topics of Information and Communication Technology (ICT) and on climate technologies such as small scale renewable energy and resilient applications; (ii) vouchers for consultancy services to prepare technology audits and technology adoption plans for digital and/or climate technology, including strategies such as supply chain digitalization and tracing; (iii) development of digital marketplaces where businesses can find appropriate technology suppliers; (iv) strengthening of BSOs responsible for deploying these programs on selecting beneficiaries of innovation grants and technological readiness subsidies, strengthening monitoring and evaluation systems to collect key performance indicators including annual average sales per worker of beneficiary MSMEs and tracking climate finance, financial climate governance (for example, Task Force on Climate Finance Disclosures (TCFD), Environmental and Social Safeguards (ESG)+ climate, etc.), and in becoming aware of gender and intersectional equity aspects of their organizations; and (v) drafting of policy frameworks promoting digital and climate technology adoption, gender diversity and more generalized innovation practices in businesses.

Component 1 will also finance the creation and implementation of: (i) targeted awareness campaigns aimed at WOFs for both innovation grants and technology readiness programs; (ii) strengthen BSOs capacity to identify any obstacles being faced by WOFs for innovation/technology adoption, and provide support accordingly; (iii) strengthen their capacity to monitor the number of grants and value of funds awarded to WOFs; and (iv) convene gender-balanced investment panels to decide on the awarding of innovation grants and technology readiness vouchers, and ringfence 17% of the funds awarded for innovation and technology adoption readiness grants to WOFs (which is representative of the population of formal WOFs in the OECS with more than 5 employees), without sacrificing selection according to innovation merit

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<sup>18</sup> This is an estimated amount and can be adjusted according to realized demand from OECS countries.

<sup>19</sup> Beneficiary MSMEs will be expected to match the grant with a contribution of 20 to 40% of the benefit received. The counterpart requirement will be determined by the intermediary entity depending on the goal of the grant and the population of MSMEs being targeted. Once the level is set, this will become a criteria for that cohort and will be advertised in the call for proposals put out to attract firms. For any given cohort of firms, the same level of counterpart financing will apply.

<sup>20</sup> This is a non-exhaustive list to illustrate the kinds of projects that could be financed.

<sup>21</sup> This is an estimated amount and can be adjusted according to realized demand by OECS countries.

and/or capacity to absorb the technology. Due to OECS WOFs' significant lack of awareness, lower propensity for innovation, for digital innovation and for adoption of climate technology as compared to men owned firms this ringfencing intends to ensure that WOFs receive financing in proportion to their participation as business owners, in order to address the gender gaps previously identified. Supported BSOs will be encouraged to run entrepreneurship capability-building programs for women, prior to launching innovation grant competitive calls, target technology readiness support to firms and industries that play an outsized role in female employment and use a portion of program resources to analyze and design policy frameworks that encourage or strengthen gender diversity in the workplace.

**Component 2. Promoting technology adoption (US\$8 million).** This component will finance a technology adoption credit fund created and managed by the CDB as EA, which will on-lend to public or private FIs to finance LOCs for MSMEs' digital and climate technology adoption. The LOCs will offer MSMEs loans that will staple up to 70% of working capital with a minimum of 30% earmarked to purchase equipment, software, consultancy services, and other technology adoption related investments for technical upgrading, business reconversion, digital transformation and measures for climate mitigation and adaptation in eligible MSMEs, including solar panels.

**Scope of Work:** The consultant will be responsible for supporting the PSD in identifying, designing, implementing, and monitoring high impact projects financed by the CDB from any of the above-mentioned funds. This includes designing and coordinating all aspects of project identification, selection, and approval through CDB's processes. The consultant will also manage the implementation of selected projects, including monitoring and evaluation of results.

The consultant's responsibilities include:

- **Project identification and design:** The consultant will support identification and design of all projects financed under RG-L1160. This includes: (i) developing and executing the protocols and processes for dialogue and identification, eligibility and selection, if applicable, in conformity with CDB Regulations; (ii) identifying, planning, executing and attending missions, conferences, and workshops to promote and encourage demand for the program; (iii) identifying, researching, and drafting material for project design and approval through the CDB board, such as loan documents, operations regulations, results matrices, project implementation plans, procurement plans and others.
- **Project execution:** once projects financed under RG-L1160 have been approved by CDB, the consultant will liaise with the executing agencies of the sub-loans to oversee the project execution process, including: (i) communicating with executing agencies of the sub-loans on a regular basis; (ii) liaising with the CTCS to provide institutional strengthening support to these agencies, if applicable; (iii) reviewing and providing recommendations on milestone disbursement requests; (v) participating in missions to beneficiary countries to overview project implementation; (vi) producing the semi-annual reports for the IDB.
- **Monitoring and evaluation:** the consultant will help ensure that projects financed under RG-L1160 are adequately monitored, including: (i) providing input into the design of the results matrix of each project; (ii) gathering baseline data for each project; (iii) using Project Monitoring Reports to collect project progress data; (iv) updating project progress data and project completion data in a timely basis in the CDB's systems; (v) assessing and being able to report on progress in terms of results, both at the project level as well as at the program level; (vi) contributing to the analysis of outputs and outcomes from projects

under the pillar, drawing out strategic lessons for the Program and future private sector development in the region.

- **Knowledge production:** the consultant will identify opportunities for knowledge production that are aligned and/or support the objectives of the RG-L1160 program. The consultant will also help disseminate lessons learned from projects being implemented, by facilitating where appropriate, working groups, roundtables, and other information sharing engagements.
- **Network:** the consultant will be responsible for identifying, establishing, and maintaining a working relationship with potential and existing CDB partners and stakeholders, including the chambers of commerce, firms, regional organizations, donor agencies, among others, in order to identify potential opportunities for new projects.
- **Record-keeping:** The consultant is responsible for ensuring that all operational records related to projects under RG-L1160 are kept to date on the relevant CDB systems.

Other relevant tasks for the implementation of the program as they become necessary and are prioritized by the management of the Program.

**Reports/Deliverables:** Guided by the scope of this consultancy and the general requirements of the program, the consultant will produce an indeterminate number of reports, reviews and other documents as they become necessary for the effective running of the Program.

In addition, the consultant will be required to produce monthly updates identifying progress made on agreed key performance indicators (KPIs) as identified in the work plan for the Program. These reports will form the basis of the consultant's on-going and final assessment at the end of the twelve (12) month period.

#### **What you'll need:**

- **Citizenship:** You are a citizen of one of CDB's member countries.
- **Education:** The consultant should have a master's degree in Business, Economics, Public Policy, or a related discipline, and at least 5 years of professional experience relevant to supporting private sector development programs. Previous experience relevant to private sector development and competitiveness issues in the Caribbean region is desired.
- **Experience:**
  - The ability to design and evaluate investment projects, including financial feasibility analysis, economic profitability analysis and the assessment of overall welfare impact.
  - Strong experience in business plan development and assessment.
  - Experience in negotiating and interacting with private and public sector leaders.
  - Experience leading teams.
  - Experience coordinating and managing client relationships.
  - Knowledge and experience derived from working in/with the Caribbean private sector.
  - Knowledge and experience implementing projects funded by multilateral institutions.
- **Language:** Fluency in written and spoken English is required.

**Core and Technical Competencies:**

- Excellent communication skills are essential for this position. These should include skills in public speaking, face-to-face interaction, and the writing of material for public documents.
- Strong planning, organization and time management skills to function in a team and contribute towards a common goal.
- Ability to manage multiple tasks and projects.
- Capacity to explain unfamiliar concepts in easily understandable terms to beneficiaries and stakeholders.
- Capacity to function effectively as a member of a multi-disciplinary team, to search for common ground, to resolve problems, and where appropriate, to recommend decisive action.
- Willingness and ability to travel frequently.
- Proven track record in the definition, discussion, and negotiation for the development of PSD projects.
- Highest ethical standards.

## Capacity building to execute innovation and technology projects

RG-T4080

**Background of this search:** *The Caribbean Development Bank (CDB) has created a new Private Sector Division (PSD) to expand its action to strengthen private sector development in the Caribbean. To help consolidate the goals of its new PSD, the CDB requested a Global Credit Loan (GCL) from the Inter-American Development Bank (IDB) to support innovation and technology adoption including climate action in Micro, Small and Medium Enterprises (MSMEs). The CDB and the IDB have collaborated since 1977 with 9 approved operations worth US\$262 million, to support the economic and social development of six Organization of Eastern Caribbean States (OECS) member countries that are not members of the IDB, namely Antigua and Barbuda, the Commonwealth of Dominica, Grenada, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines (hereinafter referred to as Eligible OECS Member Countries).*

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**TFP, business innovation, and digital transformation.**<sup>27</sup> One of the drivers of TFP at the economy level is business innovation, including the creation or adoption of technology, leading to higher value-added activities, products and processes, and improving the performance of existing ones<sup>28</sup>, thus increasing labor productivity at the firm level<sup>29</sup>.

Caribbean businesses invest significantly less in innovation in products and services than those of other small world economies, and this difference is concentrated in Small and Medium-sized Enterprises (SMEs).<sup>30</sup> OECS businesses innovate at even lower rates<sup>31</sup>. In addition, fewer OECS

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businesses plan to introduce an innovation in the next 3 years.<sup>32</sup> OECS businesses also lag in terms of digital technology adoption when compared to businesses in other Caribbean countries. Finally, in the OECS countries, only 29% of businesses had adopted climate technology by 2020<sup>33</sup>. This, despite their very high costs of energy,<sup>34</sup> the resource scarcity typical of SIDS,<sup>35</sup> and the new and emerging environmental issues threatening SIDS<sup>36</sup>.

Businesses in the OECS intending to innovate and/or to adopt digital technology report the following barriers, ranked by prevalence: (i) the level of available financial resources for innovation/technology adoption (63%); (ii) the lack of skills in the labor force required for innovation/digital technology adoption (44%); (iii) the degree of self-confidence for innovation/technology adoption (35%); and (iv) the relationship between cost to innovate/adopt technology and market size (33%). Only 38% of OECS businesses felt confident that they can choose the most appropriate technological responses to suit their needs. Businesses perceived COVID-19 as having made these barriers even more significant.

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Component 1 will also finance the creation and implementation of: (i) targeted awareness campaigns aimed at WOFs for both innovation grants and technology readiness programs; (ii) strengthen BSOs capacity to identify any obstacles being faced by WOFs for innovation/technology adoption, and provide support accordingly; (iii) strengthen their capacity to monitor the number of grants and value of funds awarded to WOFs; and (iv) convene gender-balanced investment panels to decide on the awarding of innovation grants and technology readiness vouchers, and ringfence 17% of the funds awarded for innovation and technology adoption readiness grants to WOFs (which is representative of the population of formal WOFs in the OECS with more than 5 employees), without sacrificing selection according to innovation merit

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<sup>40</sup> Beneficiary MSMEs will be expected to match the grant with a contribution of 20 to 40% of the benefit received. The counterpart requirement will be determined by the intermediary entity depending on the goal of the grant and the population of MSMEs being targeted. Once the level is set, this will become a criteria for that cohort and will be advertised in the call for proposals put out to attract firms. For any given cohort of firms, the same level of counterpart financing will apply.

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and/or capacity to absorb the technology. Due to OECS WOFs' significant lack of awareness, lower propensity for innovation, for digital innovation and for adoption of climate technology as compared to men owned firms this ringfencing intends to ensure that WOFs receive financing in proportion to their participation as business owners, in order to address the gender gaps previously identified. Supported BSOs will be encouraged to run entrepreneurship capability-building programs for women, prior to launching innovation grant competitive calls, target technology readiness support to firms and industries that play an outsized role in female employment and use a portion of program resources to analyze and design policy frameworks that encourage or strengthen gender diversity in the workplace.

**Component 2. Promoting technology adoption (US\$8 million).** This component will finance a technology adoption credit fund created and managed by the CDB as EA, which will on-lend to public or private FIs to finance LOCs for MSMEs' digital and climate technology adoption. The LOCs will offer MSMEs loans that will staple up to 70% of working capital with a minimum of 30% earmarked to purchase equipment, software, consultancy services, and other technology adoption related investments for technical upgrading, business reconversion, digital transformation and measures for climate mitigation and adaptation in eligible MSMEs, including solar panels.

### **Objectives:**

The objective of this consultancy is to strengthen the capacity of executing agencies implementing sub-loans financed under RG-L1160 – namely, BSOs that are providing innovation grants or technology adoption readiness grants under Component 1 or FIs that are providing credit for technology adoption under Component 2 – so that they can achieve the expected results of the sub-loans in the allotted time. Core capacities include being able to: (i) attract targeted MSMEs to apply for the financing offering; (ii) select MSMEs where financing will make the greatest impact; (iii) conduct due diligence on beneficiaries; (iv) monitor the use of funds by beneficiaries, particularly in the case of grants; (v) collect baseline and periodic data related to productivity; (vi) mainstream gender and climate; (vii) produce fiduciary and results reports to the CDB of the required standard in a timely manner.

### **Scope of Work:**

The scope of services includes the following:

- **Institutional gap assessment:** The consultant will assess the capacity of the executing agency to implement the activities under the sub-loan. The consultant will focus on institutional processes to raise demand for the activities to be financed by the sub-loans, identify eligible beneficiaries, select impactful projects, mainstream gender and climate in the selection of projects, and monitor and evaluate projects, including monitoring the use of funds by firms benefitting from grants, and collecting and reporting on results indicators necessary for the executing agency to adequately report to CDB.
- **Reengineering processes:** Based on the institutional gap assessment, the consultant will agree with the executing agency receiving the technical assistance on a set of process changes to ensure: 1) broad dissemination of financing opportunities to MSMEs; 2) set criteria, due diligence procedures and transparent mechanisms to evaluate MSME proposals, particularly those financed through innovation grants and technology adoption readiness grants; 3) processes to ensure ringfencing of 17% of grant awards for women-

owned firms without sacrificing the quality of the proposals; 4) processes to capture % of financing for women-owned firms and for climate technologies 5) adequate reporting on the criteria and mechanisms utilized to select proposals; 6) adequate monitoring of the use of grant funds by beneficiaries; 7) collection of baseline data aligned with the results framework for RG-L1160 and CDB's monitoring and evaluation framework, including gender tracking and climate tracking; 8) collection and reporting of monitoring data, including gender and climate related data. The agreements reached with the executing agencies regarding new procedures or changes of procedures will be codified in the operating regulations governing the sub-loans. Recommendations may also entail additional resources which should be sought by the EAs to adequately fulfill their role in the sub-loans.

- **Capacity building and handholding:** The consultant will provide capacity building and handholding to the personnel of the executing agency to ensure that the reengineered processes captured in the modified operating regulations governing the sub-loan are understood and easily followed. Interventions related to capacity building will be adequately documented to ensure that any training material is available to additional personnel hired by the organization and/or in the case of rotation.
- **Knowledge production:** the consultant will identify opportunities to introduce processes that can assist the executing agencies in collecting and disseminating success stories and lessons learned from projects being implemented. Identifying communication channels to report back to the national steering committee for RG-L1160, line ministries involved with other programs supporting innovation and technology adoption in the specific country, and/or to other executing agencies executing other sub-loans related to RG-L1160 in that country is of particular interest.

#### **Expected Outcome and Deliverables:**

1. **Institutional Gap Assessment Report:** this report will benchmark the capacity of the institution to fulfill the objectives of the sub-loans that they are executing, particularly (but not only) related to targeting, identifying, and selecting beneficiaries, and monitoring, evaluating, reporting and communicating results. The Institutional Gap Assessment report will also evaluate the capacity for mainstreaming gender and climate, and reporting on these two variables.
2. **Process reengineering summary report:** Report describing agreements and modified Operating Regulations: based on the Institutional Gap Assessment, the consultant will produce a report describing the discussions and negotiations surrounding reengineered processes, the agreements reached (including modifications to the Operating Regulations), and other suggestions of additional resources required by the EA to achieve the objectives of the sub-loans.
3. **Capacity building and handholding report:** the Consultant will submit a report summarizing the capacity building and handholding support provided to the EA, participation of EA personnel in these efforts, including training curricula, agreements for onboarding of new team members, and any additional efforts that are needed for the EA to adequately implement the sub-loan.

4. **Knowledge communication report:** the consultant will produce a report summarizing opportunities for gathering, summarizing and disseminating success stories and lessons learned related to the sub-loan, and channels of communication that could be/should be sought with line ministries, national steering committees and other efforts advancing innovation and technology adoption in that specific country. This report should include a list of stakeholders that should be the target of the communication efforts, with their names and contact information.

#### **Project schedule and milestones:**

The consultancy is expected to be completed within six months.

#### **Supervision and Reporting:**

Every report should be submitted to the CDB in an electronic file for review and acceptance. Deliverables are expected to be submitted in sequential order. Comments will be provided in written format (by email). The consulting firm is expected to provide written feedback on how the comments were addressed. Approval of deliverables will be provided in writing by email from the Team Leader of the project.

#### **Schedule of payments:**

Payments will be based on CDB's acceptance of deliverables. The CDB does not expect to make advance payments on consulting contracts unless a significant amount of travel is required.

<b>Payment (% total)</b>	<b>Deliverables completed</b>	<b>Deadline from signature of contract</b>
20%	Institutional Gap Assessment	5 weeks
30%	Process Reengineering Summary Report	10 weeks
30%	Capacity building and handholding report	14 weeks
20%	Knowledge communication report	20 weeks

#### **Qualifications to Utilize in Criteria for Selection:**

Contractual teams should have specific expertise and knowledge, which will be the main criterion for their selection. It is anticipated that the team would comprise individuals with strong competencies in the below areas, but this is not meant to restrict team compositions to exact roles described below.

#### **Consulting Firm Qualifications:**

- **Consulting Firm Experience:** This consultancy requires the services of an international consulting firm with extensive experience in private sector development through innovation and technology adoption, specifically in supporting institutions in developing entrepreneurship,

innovation and technology adoption support programs that include the awarding of grants, technical assistance, and/or vouchers, and in designing and implementing training workshops.

- o Experience working with the CDB or other multilaterals in emerging markets (particularly the Caribbean) would be highly desirable.

- **Technical Lead/ Entrepreneurship and Innovation Ecosystem Expert:** Education in Industrial Engineering, Business Administration, Project Management, Economics, International Development, or any other related field; and Information technology, computer science, software engineering, or related field with an advanced degree (Master's degree or equivalent) in one of the fields.

- o **Experience:** A minimum of 10 years in private sector development, specifically working with innovation and entrepreneurship ecosystems, including projects financed by international financing institutions or bilateral agencies. Demonstrated knowledge of current private sector development support practices. Significant experience in developing, leading and delivering complex multi- stakeholder projects. Highly developed communication and writing skills as evidenced by presentations and publicly available reports, blogs, articles, and/or academic pieces. Experience designing and delivering training and delivering technical advice aimed at building institutional capacity of innovation and entrepreneurship ecosystem providers. Demonstrated successful experience in bringing about organizational change. Proven history of generating innovative and effective solutions using agile development methodologies.

- o **Other Skills:** In-depth knowledge of private sector development and preferably, a good understanding of the Caribbean region. Previous assignments in the Caribbean would be desirable. Experience working with international financing institutions and comparable experience in other continents with transferable experience to the Caribbean Region would be desirable. Strong interpersonal and participatory stakeholder engagement skills. Excellent interpersonal communication skills to explain complex technical topics in an easily understandable manner. Ability to improve group dynamics and group cohesion. Training/facilitation skills.

- o **Language:** Fluency in oral and written English.

## Monitoring and evaluation framework and systems consultancy

RG-T4080

**Background of this search:** *The Caribbean Development Bank (CDB) has created a new Private Sector Division (PSD) to expand its action to strengthen private sector development in the Caribbean. To help consolidate the goals of its new PSD, the CDB requested a Global Credit Loan (GCL) from the Inter-American Development Bank (IDB) to support innovation and technology adoption including climate action in Micro, Small and Medium Enterprises (MSMEs). The CDB and the IDB have collaborated since 1977 with 9 approved operations worth US\$262 million, to support the economic and social development of six Organization of Eastern Caribbean States (OECS) member countries that are not members of the IDB, namely Antigua and Barbuda, the Commonwealth of Dominica, Grenada, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines (hereinafter referred to as Eligible OECS Member Countries).*

**Indications of long-term stagnation.** Prior to the pandemic shock, the CDB's Borrowing Member Countries (BMCs) grew on average at 1.9% over the previous decade, while other Small Island Developing States (SIDS) grew at just over 4%<sup>43</sup>. OECS Member Countries' GDP per capita grew even more slowly, at an annual average of 1.45% between 2001 and 2019. In 2020, these countries' GDP contracted by 13.7% on average, due to COVID-19's impact on tourism. Although like other Caribbean countries, the small size of these OECS countries exposes them to economic shocks, and their location makes them vulnerable to natural disasters, an analysis of the growth gap between Caribbean countries and the other small economies of the world<sup>44</sup> since the 1990s identified lower Total Factor Productivity (TFP)<sup>45</sup> growth as the most important determinant of this growth gap<sup>46</sup>. Globally, TFP accounts for most of the growth differences across countries<sup>47</sup>.

**TFP, business innovation, and digital transformation.**<sup>48</sup> One of the drivers of TFP at the economy level is business innovation, including the creation or adoption of technology, leading to higher value-added activities, products and processes, and improving the performance of existing ones<sup>49</sup>, thus increasing labor productivity at the firm level<sup>50</sup>.

Caribbean businesses invest significantly less in innovation in products and services than those of other small world economies, and this difference is concentrated in Small and Medium-sized Enterprises (SMEs).<sup>51</sup> OECS businesses innovate at even lower rates<sup>52</sup>. In addition, fewer OECS

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<sup>43</sup> [Caribbean Development Bank. \(2019\). CDB Strategic Plan 2020-2024.](#)

<sup>44</sup> Defined as economies with less than 3 million in population.

<sup>45</sup> TFP is the portion of output not explained by the amount of inputs used in production ([The New Palgrave Dictionary of Economics](#)).

<sup>46</sup> [Ruprah, Melgarejo and Sierra. \(2014\). Is there a Caribbean Sclerosis?](#)

<sup>47</sup> [Easterly and Levine. \(2001\). It's not Factor Accumulation: Stylized Facts and Growth Models.](#)

<sup>48</sup> Following the OSLO Manual, for this operation, innovation is defined as "a product or process, marketing or organizational method that is new to the business", digital technology adoption as "introducing methods for information processing and communication", and climate technology adoption as the adoption of new technologies that resulted in: a) reduced material and energy use or reduced/avoided GHG emissions; or b) increased recycling of waste, water or materials.

<sup>49</sup> [Kim and Loayza. \(2019\). Productivity Growth: Patterns and Determinants across the World.](#)

<sup>50</sup> [EBRD \(2015\). Innovation and Firm Productivity, Chapter 2.](#)

<sup>51</sup> Only 41% of Caribbean SMEs reported the introduction of a new product, while 59% of SMEs in the rest of the world's small economies did so.

<sup>52</sup> All references to the status of OECS firms vis a vis their Caribbean counterparts included in this document are drawn from Compete Caribbean's [Innovation, Firm Performance and Gender](#) survey data collected in 2020, and from [Sierra. \(2022\). Transformation in the Eastern Caribbean: A need for embracing innovation and technological change. Consulting report for the IDB.](#)

businesses plan to introduce an innovation in the next 3 years.<sup>53</sup> OECS businesses also lag in terms of digital technology adoption when compared to businesses in other Caribbean countries. Finally, in the OECS countries, only 29% of businesses had adopted climate technology by 2020<sup>54</sup>. This, despite their very high costs of energy,<sup>55</sup> the resource scarcity typical of SIDS,<sup>56</sup> and the new and emerging environmental issues threatening SIDS<sup>57</sup>.

Businesses in the OECS intending to innovate and/or to adopt digital technology report the following barriers, ranked by prevalence: (i) the level of available financial resources for innovation/technology adoption (63%); (ii) the lack of skills in the labor force required for innovation/digital technology adoption (44%); (iii) the degree of self-confidence for innovation/technology adoption (35%); and (iv) the relationship between cost to innovate/adopt technology and market size (33%). Only 38% of OECS businesses felt confident that they can choose the most appropriate technological responses to suit their needs. Businesses perceived COVID-19 as having made these barriers even more significant.

Recent data suggests better performance of OECS businesses that innovate or digitize. Those businesses in the OECS that had innovated and/or adopted digital technology sold, on average, 29% more per worker and were 20% more productive than those that had not innovated nor adopted digital technology.

Finally, generalized difficulties in access to financing exacerbate low private investment in innovation and technology adoption in the OECS. Nearly three quarters (73%) of OECS businesses planning to innovate or adopt digital technology reported difficulties accessing finance, and their productivity was 32% lower than non-credit constrained similar businesses.

Across the world, market failures to innovation and technology adoption are addressed through public programs that subsidize these activities<sup>58</sup>. Multiple impact evaluations of these programs, including in LAC, have demonstrated a positive effect in the development of new products and services, increased employment and wages, and increased TFP, as well as numerous positive spillovers on other firms and sectors. Research focused on the Caribbean evaluating the characteristics of businesses that participate in business support programs, and the impact of several types of support programs on participants, found that innovation support programs in the Caribbean had important effects on businesses innovation expenditure, sales, and the ability to develop new goods and services or production processes, as well as the probability of achieving the intended goals of the program<sup>59</sup>.

The objective of this consultancy is to support the CDB's PSD to coordinate the implementation of the IDB US\$20 million loan: **RG-L1160 - Strengthening Private Sector Development through Innovation in the Eastern Caribbean OECS Member Countries**, whose main development objective is to increase the productivity of MSMEs in OECS countries. Its specific development objectives are: (i) promoting innovation efforts in MSMEs of OECS countries; (ii) strengthening the supply and demand of services for technology adoption readiness in MSMEs of OECS countries; and (iii) promoting technology adoption and digitalization in MSMEs of OECS countries.

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<sup>53</sup> Small firms are defined as those with less than 20 employees, medium firms are those between 20 and 100 employees, and large firms as those with more than 100 employees.

<sup>54</sup> Authors' analysis using Compete Caribbean's [Innovation, Firm Performance and Gender](#) survey data collected in 2020.

<sup>55</sup> In the OECS countries, energy cost between US\$0.27 and US\$0.39 kWh in 2015.

<sup>56</sup> <https://www.un-igrac.org/areas-expertise/small-island-developing-states-sids>.

<sup>57</sup> UNEP. (2014). *Emerging issues for Small Island Developing States. Results of the UNEP Foresight Process*.

<sup>58</sup> Hall. (2005). *The Financing of Innovation*.

<sup>59</sup> Bernini, Figal Garone and Maffioli. (2017). *Assessing the Impact of Innovation and Business Development Programs in the Caribbean*.



RG-L1160 has two components.

**Component 1. Promoting Innovation and Readiness for Technology Adoption (US\$12 million).** This component will promote innovation efforts in OECS MSMEs and their readiness for digital and/or low carbon resilient technologies by financing two new funds created and managed by the CDB as Executing Agency (EA). The products and activities financed under this component are:

**a) Innovation grants fund (US\$4.5 million)<sup>60</sup>:** Through this fund, the CDB will on-lend resources to OECS countries to be intermediated by public BSOs that in turn will finance: (i) matching grants to support the development of new products or services in existing firms, including climate products and digital products;<sup>61</sup> (ii) seed capital to entrepreneurs; and (iii) courses to assist MSMEs to become more innovative, including training of MSMEs managers and employees in design thinking. Examples of projects financed by innovation grants and seed capital grants are: (i) projects that develop new solutions to climate challenges; (ii) projects that help solve societal challenges such as digital payments or health and wellness; and (iii) projects that are based on novel research and development with a market application.<sup>62</sup>

**b) Technology adoption readiness grants fund (US\$7.5 million)<sup>63</sup>:** Through this fund, the CDB will on-lend resources to OECS countries to be intermediated by public BSOs that in turn will finance: (i) strengthening of technology extension service providers, including on conducting technology audits on the topics of Information and Communication Technology (ICT) and on climate technologies such as small scale renewable energy and resilient applications; (ii) vouchers for consultancy services to prepare technology audits and technology adoption plans for digital and/or climate technology, including strategies such as supply chain digitalization and tracing; (iii) development of digital marketplaces where businesses can find appropriate technology suppliers; (iv) strengthening of BSOs responsible for deploying these programs on selecting beneficiaries of innovation grants and technological readiness subsidies, strengthening monitoring and evaluation systems to collect key performance indicators including annual average sales per worker of beneficiary MSMEs and tracking climate finance, financial climate governance (for example, Task Force on Climate Finance Disclosures (TCFD), Environmental and Social Safeguards (ESG)+ climate, etc.), and in becoming aware of gender and intersectional equity aspects of their organizations; and (v) drafting of policy frameworks promoting digital and climate technology adoption, gender diversity and more generalized innovation practices in businesses.

Component 1 will also finance the creation and implementation of: (i) targeted awareness campaigns aimed at WOFs for both innovation grants and technology readiness programs; (ii) strengthen BSOs capacity to identify any obstacles being faced by WOFs for innovation/technology adoption, and provide support accordingly; (iii) strengthen their capacity to monitor the number of grants and value of funds awarded to WOFs; and (iv) convene gender-balanced investment panels to decide on the awarding of innovation grants and technology readiness vouchers, and ringfence 17% of the funds awarded for innovation and technology adoption readiness grants to WOFs (which is representative of the population of formal WOFs in the OECS with more than 5 employees), without sacrificing selection according to innovation merit

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<sup>60</sup> This is an estimated amount and can be adjusted according to realized demand from OECS countries.

<sup>61</sup> Beneficiary MSMEs will be expected to match the grant with a contribution of 20 to 40% of the benefit received. The counterpart requirement will be determined by the intermediary entity depending on the goal of the grant and the population of MSMEs being targeted. Once the level is set, this will become a criteria for that cohort and will be advertised in the call for proposals put out to attract firms. For any given cohort of firms, the same level of counterpart financing will apply.

<sup>62</sup> This is a non-exhaustive list to illustrate the kinds of projects that could be financed.

<sup>63</sup> This is an estimated amount and can be adjusted according to realized demand by OECS countries.

and/or capacity to absorb the technology. Due to OECS WOFs' significant lack of awareness, lower propensity for innovation, for digital innovation and for adoption of climate technology as compared to men owned firms this ringfencing intends to ensure that WOFs receive financing in proportion to their participation as business owners, in order to address the gender gaps previously identified. Supported BSOs will be encouraged to run entrepreneurship capability-building programs for women, prior to launching innovation grant competitive calls, target technology readiness support to firms and industries that play an outsized role in female employment and use a portion of program resources to analyze and design policy frameworks that encourage or strengthen gender diversity in the workplace.

**Component 2. Promoting technology adoption (US\$8 million).** This component will finance a technology adoption credit fund created and managed by the CDB as EA, which will on-lend to public or private FIs to finance LOCs for MSMEs' digital and climate technology adoption. The LOCs will offer MSMEs loans that will staple up to 70% of working capital with a minimum of 30% earmarked to purchase equipment, software, consultancy services, and other technology adoption related investments for technical upgrading, business reconversion, digital transformation and measures for climate mitigation and adaptation in eligible MSMEs, including solar panels.

### **Objectives:**

The objective of this consultancy is to strengthen the capacity of CDB's PSD to monitor and evaluate the results of the sub-loans managed by the PSD that are being financed by IDB Operations. Specific objectives are: to develop an evaluation framework for RG-L1160 and to finance an information system to facilitate the collection, aggregation, monitoring and reporting of data to the IDB.

### **Scope of Work:**

The scope of services includes the following:

- **Evaluation framework:** Based on RG-L1160 and other private sector development programs being financed by the CDB's PSD, the consultant will develop a theory of change, enabling assumptions, and a detailed results matrix. The framework will include a clarification of roles and responsibilities in the collection of data and how those should be distributed between the CDB team and the executing agencies implementing the sub-loans, the type of baseline data to be collected, the periodicity and formats of collection of monitoring data, and the conversion of that data to the IDB reporting. The evaluation framework will include specific processes to identify success stories and lessons learned that can be widely disseminated by CDB and/or the other executing agencies to a wide section of Caribbean stakeholders.
- **Information systems to facilitate monitoring:** Using PowerBI, Knack or another data analytics tool, the consultant will build a system that will support the collection of data related to the evaluation framework previously designed. The consultant will have multiple interactions with CDB personnel, as well as with the executing agencies implementing the sub-loans, to ensure that the system is user-friendly and meets the reporting expectations of the CDB.

- **Shared understanding of the monitoring and evaluation framework:** the consultant will hold a series of workshops with CDB personnel and those of the executing agencies implementing the sub-loans to support a shared understanding of the theory of change, methods of monitoring and evaluation, data to be collected, responsibilities for data collection, use of the information system, and periodic reporting.

### **Expected Outcome and Deliverables:**

1. **Evaluation Framework Report:** this report will summarize the theory of change for RG-L1160 with the other IDB operations being implemented by CDB's PSD, enabling assumptions, detailed results matrix, type of data to be collected and responsibilities for collecting the data, as well as periodicity and any instruments required to collect this data. The report will include processes to capture success stories or lessons learned that can be shared with the rest of the region by CDB or the executing agencies.
2. **Monitoring information system:** this system will allow the executing agencies implementing sub-loans as well as the CDB team to periodically upload data on the indicators related to the results framework. The consultant is expected to turn over the source code to the CDB, and include an operational manual (or else a Help feature in the system itself). Completion of this deliverable requires sign-off by the CDB and the executing agencies implementing the sub-loans.
3. **Report on shared understanding of the M&E framework:** the Consultant will submit a report summarizing the capacity building and handholding support provided to CDB and the executing agencies implementing the sub-loans on the M&E framework, including observations of foreseen difficulties, recordings of workshop sessions, and any training material utilized (powerpoints, etc.).

### **Project schedule and milestones:**

The consultancy is expected to be completed within six months.

### **Supervision and Reporting:**

Every report should be submitted to the CDB in an electronic file for review and acceptance. Deliverables are expected to be submitted in sequential order. Comments will be provided in written format (by email). The consulting firm is expected to provide written feedback on how the comments were addressed. Approval of deliverables will be provided in writing by email from the Team Leader of the project.

**Schedule of payments:**

Payments will be based on CDB's acceptance of deliverables. The CDB does not expect to make advance payments on consulting contracts unless a significant amount of travel is required.

<b>Payment (% total)</b>	<b>Deliverables completed</b>	<b>Deadline from signature of contract</b>
40%	Evaluation Framework	5 weeks
40%	Monitoring information system	25 weeks
20%	Capacity building and shared understanding of the M&E framework	30 weeks

**Qualifications to Utilize in Criteria for Selection:**

**Qualifications of Team Members:** This consultancy requires the services of an international consulting firm with extensive experience in designing and implementing monitoring and evaluation strategies. The firm's portfolio of projects must include the design and implementation of monitoring systems for public programs and/or within government institutions in developing countries. Experience working with the CDB or other multilaterals in emerging markets (particularly the Caribbean) would be highly desirable.

The Lead Consultant should possess a Master's degree in Economics, Finance, International Development, or a related field, and ten (10) years of experience, including monitoring and evaluation of projects financed by international financing institutions or bilateral agencies. He/she should have demonstrated knowledge of current monitoring and evaluation theory and practice and significant experience in the design, implementation and/or evaluation of private sector development projects.

Key Expert Consultants should possess at least a Master's degree in Economics, Applied Statistics, International Development, or a related field, and at least 5 years of professional experience in statistical methods, data collection, coding and programming and consultancies related to development of surveys and data collection methodologies for supporting the monitoring and evaluation of private sector development projects and programs. Demonstrated proficiency with data collection technologies/platforms, statistical software packages and the design and management of surveys and data collection exercises is required.

Experience in leading and conducting trainings on monitoring and evaluation systems is required from the proposed team, as well as highly developed communication and writing skills as evidenced by presentations and publicly available reports, blogs, articles, and/or academic pieces.