

## TC Document

### I. Basic Information for TC

▪ Country/Region:	REGIONAL
▪ TC Name:	The Caribbean Digital Transformation Institute
▪ TC Number:	RG-T3992
▪ Team Leader/Members:	Dohnert De Lascrain, Sylvia Eva (IFD/CTI) Team Leader; Grant, Kayla Sharee (IFD/CTI) Alternate Team Leader; Broomes, Greg Anthony (IFD/CTI); Centeno Lappas, Monica Clara Angelica (LEG/SGO); Elliott, Wayne Antonio (IFD/CTI); Garcia Nores, Luciana Victoria (INT/RIU); Maria Alejandra Galeano (IFD/CTI); Sierra Liranzo, Mayrett (IFD/CTI) Broomes, Greg Anthony (IFD/CTI); Centeno Lappas, Monica Clara Angelica (LEG/SGO); Elliott, Wayne Antonio (IFD/CTI); Garcia Nores, Luciana Victoria (INT/RIU); Maria Alejandra Galeano (IFD/CTI); Sierra Liranzo, Mayrett (IFD/CTI) Broomes, Greg Anthony (IFD/CTI); Centeno Lappas, Monica Clara Angelica (LEG/SGO); Elliott, Wayne Antonio (IFD/CTI); Garcia Nores, Luciana Victoria (INT/RIU); Maria Alejandra Galeano (IFD/CTI); Sierra Liranzo, Mayrett (IFD/CTI) Broomes, Greg Anthony (IFD/CTI); Centeno Lappas, Monica Clara Angelica (LEG/SGO); Elliott, Wayne Antonio (IFD/CTI); Garcia Nores, Luciana Victoria (INT/RIU); Maria Alejandra Galeano (IFD/CTI); Sierra Liranzo, Mayrett (IFD/CTI)
▪ Taxonomy:	Client Support
▪ Operation Supported by the TC:	.
▪ Date of TC Abstract authorization:	August 16, 2021
▪ Beneficiary:	Belize, Barbados, Jamaica, Guyana, Suriname, and Trinidad and Tobago
▪ Executing Agency and contact name:	The University Of The West Indies University of the West Indies (Open Campus)
▪ Donors providing funding:	OC Strategic Development Program for Integration(RIN)
▪ IDB Funding Requested:	US\$680,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	42 months (Execution period of 36 months)
▪ Required start date:	January 2022
▪ Types of consultants:	Individual consultants and consulting firms
▪ Prepared by Unit:	IFD/CTI-Competitiveness, Technology and Innovation Division
▪ Unit of Disbursement Responsibility:	IFD/CTI-Competitiveness, Technology and Innovation Division
▪ TC included in Country Strategy (y/n):	Yes
▪ TC included in CPD (y/n):	N/A
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Economic integration; Productivity and innovation

### II. Objectives and Justification of the TC

- 2.1 The general objective of this technical cooperation is to establish a Caribbean Digital Transformation institute (DTI) as a regional public good that will coordinate the regional ecosystem to transform Micro, Small and Medium Enterprises (MSMEs) through digital technology adoption.
- 2.2 The Caribbean region has been hit especially hard by the COVID-19 crisis. The International Monetary Fund (IMF) estimated that in 2020, the economic contraction

of the Caribbean was higher than that in the rest of Latin America for the same period (of 6.8 percent,<sup>1</sup> with women-owned/led firms and small and medium enterprises experiencing more negative impacts than other businesses.<sup>2</sup> COVID-19 has accelerated the uptake of digital technology across the world<sup>3</sup> and will be a determining factor in MSMEs' ability to survive the COVID-19 crisis. Indeed, Caribbean businesses' demand for technical assistance services had shifted to greater support for digitalization and market diversification as a way to surmount the crisis.<sup>4</sup>

- 2.3 Caribbean MSMEs have limited capacity to appropriate full value from the digital economy, perpetuating their vulnerability to the COVID-19 crisis. Caribbean MSMEs, especially women-led firms, navigating the digital economy are challenged by an overwhelming availability of information, many of which are not targeted to their specific needs and local realities. In adopting new digital technologies, barriers<sup>5</sup> MSMEs face include: (i) low capabilities to be able to identify productive digital technology opportunities, evaluate their risks, and allocate resources accordingly; (ii) limited human capital with advanced digital skills to design and deploy digital technologies and basic digital skills to adopt new technologies; (iii) information asymmetry as it relates to the firm's lack of knowledge about the technologies and service providers available<sup>6</sup> that can improve productivity and competitiveness; (iv) limited connectivity in certain areas; (v) limited access to finance and investment and uncertainty for investing in new digital technologies; (vi) an incipient ICT sector that offers limited services locally; and (vii) a regulatory framework that does not keep up with the speed of digital change and which impedes the process of developing, testing and adopting new technological applications.
- 2.4 To support SME digital transformation, universities, Small Business Development Centres (SBDCs), and other public Business Support Organizations (BSOs) supporting MSMEs across the Caribbean have developed courses in the areas of e-commerce sales and digital marketing. Despite these efforts, many of these institutions are themselves limited in their capacity to efficiently meet the growing demands of their clients, the rapidly changing technological developments, and the growing complexity of offerings in the ecosystems. Specifically, these organizations lack: (i) data on MSMEs to improve understanding of firms' digital maturity levels and specific digital transformation needs; (ii) internal capabilities to collect, analyze, manage, and communicate data on MSME needs and input to the design of digital capacity interventions; (iii) evaluation expertise to assess and communicate data driven evidence (on KPIs such as sales, jobs, productivity, tax payments) and evaluation results to justify expanded government budgets; (iv) a comprehensive mapping of existing, quality digital service providers and digital trainings and programs MSMEs can access at the regional and global levels; (v) opportunities to monetize their digital content (digital capacity trainings) outside of their national borders so as to reinvest

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<sup>1</sup> The average for Latin America removes two outliers: Venezuela and Guyana.

<sup>2</sup> Acevedo, Lennon, Pereira and Yanez-Pagans (2021). The Impacts of the COVID-19 Pandemic on Firms in the Caribbean. IDB-Invest.

<sup>3</sup> A McKinsey survey published in October 2020 found that companies are three times likelier than they were before the crisis to conduct at least 80 percent of their customer interactions digitally.

<sup>4</sup> Acevedo, Lennon, Pereira and Yanez-Pagans (2021). The Impacts of the COVID-19 Pandemic on Firms in the Caribbean. IDB-Invest.

<sup>5</sup> Transformación Digital Empresarial, Como nivelar la cancha. 2020.

<sup>6</sup> Many SMEs use off-the-shelf applications for keeping accounting books, but few have integrated systems and/or cloud-based tools for managing all their finances, inventories, logistics, client interaction, human resources (HR) or enterprises resources (ERPs).

funding into the organization; and (vi) linkages to innovation ecosystem players, such as incubators, accelerators, and non-traditional financing (venture capital), for connecting firms, depending on their stage in the life cycle, to additional resources that can support their innovation and growth objectives.

- 2.5 As in the case of other technology services, the small scale of Caribbean countries limits the provision of a supply of sophisticated services at the national level and calls for a regional approach.<sup>7</sup> This TC will strengthen the ecosystem to support MSME digital transformation through the following: (i) expanding the supply of digital capacity building offerings in the Caribbean; (ii) aggregating the regional demand for digital transformation capacity building and matching it to the appropriate supply; (iii) expanding policymakers understanding and toolkits to support the digital transformation of the private sector.
- 2.6 Expected direct beneficiaries of this project are: 1) Caribbean MSMEs, which will benefit from access to a virtual platform that will assist them with a customized path to their digital transformation process; 2) Business Support Organizations in the Caribbean, who will benefit from real time availability of intelligence on gaps and needs related to the digital transformation of their country's MSMEs, as well as a policy-toolkit to respond to those needs; 3) the University of the West Indies, for whom the Digital Transformation Institute will help cement much closer ties to both private sector businesses in the Caribbean, as well as the public and private eco-system of support to these firms.
- 2.7 **Strategic Alignment.** This TC is consistent with the Second Update to the Institutional Strategy (UIS) 2020-2023 (AB-3190-2) as it is strategically aligned with the development challenge of productivity and innovation and to the strategic goal of encouraging the use of digital technology as well as economic integration. It is also aligned with one of the 5 opportunities for lending and technical assistance outlined by Vision 2025 – the digital economy. The TC is also aligned with the cross-cutting themes of gender equality and diversity as it pertains to supporting women-owned firms with digital technologies. The project is aligned with the priorities defined in the Innovation, Science and Technology Sector Framework Document (GN-2791-8) as it relates to economies being able to take full advantage of the potential of the digital economy through the adoption of digital technologies. The TC is aligned with the Strategic Development Program for Integration (GN-2819-1) (RIN) which includes the Regional Public Goods Initiative, as it promotes regional cooperation among participating countries to tackle a common development challenge. This project is aligned with the following country strategies: a) the 2019-2023 Country Strategy for Barbados (GN-2953-1) as it relates to the priority area of promoting higher productivity and competitiveness in firms to enhance the country's growth potential; b) the 2022-2025 Country Strategy for Belize (forthcoming) as it aims to support the digital transformation agenda, with a focus on MSMEs; c) the Jamaica Country Strategy (GN-2868) in the strategic area of increasing private sector productivity and growth by supporting digital technological uptake that can improve the innovation of MSMEs; d) the 2016-2020 Country Strategy with the Republic of Suriname (GN-2873) in its objectives of supporting private sector development through a focus on MSME digital transformation; e) the 2021-2025 Country Strategy for Trinidad and Tobago (GN-2888) by supporting the digital transformation agenda; and f) the 2017-2021 Country

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<sup>7</sup> See [De Groote \(2017\). Analysis of Technological Extension Services in the Caribbean, IADB.](#)

Strategy with the Cooperative Republic of Guyana under its objective to facilitate private sector development given that the TC proposes the digital transformation MSMEs to improve their capacity to operate in the digital economy.

### III. Description of components and budget

- 3.1 **Component 1: MSME Intelligence Capacity Building (US\$50,000).** This component will finance the adaptation and translation of a digital maturity self-assessment tool for MSMEs, including a back-end automatic generation of data analytics of digital maturity in Caribbean MSMEs and major gaps. The component will also finance capacity building of BSOs and SBDCs as to the importance and uses of different digital technology for key sectors, the different components of digital maturity, and interpretation of business analytics regarding MSME digital maturity gaps.
- 3.2 The *Chequeo Digital* or Digital Check-up tool is an auto-diagnostic tool that the IADB has already launched in 12 Latin American countries, which allows MSMEs to assess their level of digital maturity, understand key concepts behind digital transformation and its benefits, and obtain customized recommendations to advance in their digital transformation path. The use of the tool by Caribbean MSMEs will generate intelligence on digital capacity gaps that will inform the public agencies that provide support to MSMEs in the Caribbean region: namely the SBDCs and the other BSOs that are partnering around this regional public good to inform their own complementary public policy related to digital transformation. Outputs for this component: (i) Digital Check-up in operation generating back-end intelligence for policymakers; (ii) BSOs that received capacity building; and (iii) firms that have completed the Digital Check-up.
- 3.3 **Component 2: The Digital Transformation Institute (DTI) (US\$400,000).** During the first year of the COVID-19 pandemic, several BSOs across the Caribbean region implemented virtual training initiatives to address Caribbean firms' need for support in understanding the digital tools and technologies available to support their businesses in adapting to the new digital reality. This component will finance the design and implementation of a sustainable virtual digital transformation institute housed at the University of the West Indies Open Campus, the executing agency of this project, that can host this content as well as others that match the gaps identified through the Digital Check-up. For clarity, the Digital Transformation Institute is a group of virtual courses for MSMEs which will be linked to the Digital Check-up and branded under that name. The DTI will reside on the UWI Open Campus virtual platform and as such, it is UWI which will be making these courses available to MSMEs through the UWI Open Campus platform. The IP of the courses acquired or developed with this project will belong to the Bank and can be licensed to the UWI following completion of the project so that the activities of the DTI can be sustained. The following activities will be financed: (i) the design and/or acquisition of new courses on digital transformation strategies, e-commerce, social media marketing, website optimization, cyber-security, intellectual property securitization and monetization, data analytics, and artificial intelligence tools to improve business strategies, among others, that can meet the needs of Caribbean MSMEs, following the digital maturity logic of the Digital Check-up;<sup>8</sup> (ii) support to SBDCs and other public BSOs (including regional partners)

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<sup>8</sup> Initially, the DTI will offer standard courses as per the experience of the Digital Check-up in Latin America, and then adapt to include curated content once there is more information about the specificities of the needs of Caribbean MSMEs.

in curating their existing content and transforming it into digital curricula that can support the digital maturity needs of Caribbean MSMEs; (iii) support to develop a business model for the Digital Transformation Institute that will ensure its financial and operational sustainability, while stimulating access and use; and (iv) development of measures that can ensure course completion by MSMEs. Outputs: (i) Digital Transformation Institute (DTI) designed and established; (ii) courses made available to MSMEs through the DTI; and (iii) financial and operational sustainability model for the DTI generated.

- 3.4 **Component 3: Digital Innovation Policies and Strategies. (US\$100,000).** This component will finance the design of digital innovation policies and strategies to assist the BSOs and SBDCs participating in this project to further support digital transformation and digital innovation of MSMEs in their countries and scouting and due diligence of in-country suppliers and mentors of digital services. The component will finance the design of digital voucher and digital innovation strategies and sharing of best practices. Outputs: (i) digital voucher and digital innovation strategies designed; (ii) database of digital transformation suppliers (incl. country location).
- 3.5 **Component 4: Communication, Project Management and Evaluation (US\$130,000).** This component will finance the following: (i) project management support of the RPG program; (ii) communication strategy designed and implemented to promote the Digital Check-up, the DTI and dissemination of digital policy and best practices to BSOs and other policymakers; (iii) a final project evaluation to assess the impact of the project on the digital transformation of treated firms, and KPIs (sales, profits, productivity); and (iv) financial audit. Outputs: project completed, communication strategy designed and implemented, final evaluation.
- 3.6 The total cost of this TC will be US\$680,000.00 to be funded by the Ordinary Capital Strategic Development Program for Integration that includes the Regional Public Goods Initiative.

#### Indicative Budget

Activity/Component	Description	IDB/Fund Funding	Counterpart Funding	Total Funding
<b>Component 1. MSME Intelligence Capacity Building</b>	Consulting firm to translate and deploy the digital diagnostic, and train SBDCs in digital maturity.	\$50,000.00	0	<b>\$50,000.00</b>
<b>Component 2. The Digital Transformation Institute</b>	Consulting firms to develop the DTI and support content development	\$400,000.00	0	<b>\$400,000.00</b>
<b>Component 3. Digital Innovation Policies and Strategies</b>	Consulting firms to design digital innovation voucher programs	\$100,000.00	0	<b>\$100,000.00</b>
<b>Component 4. Project Management,</b>		\$130,000.00	0	<b>\$130,000.00</b>

<b>Communication and Evaluation</b>				
<b>TOTAL</b>		\$680,000.00	0.00	<b>\$680,000.00</b>

#### **IV. Executing agency and execution structure**

- 4.1 The **Executing Agency** (EA) will be the University of the West Indies' (UWI) Open Campus (UWIOC). UWI Open Campus is a regional institution that even prior to COVID had been using virtual courses to train professionals throughout the Caribbean region. UWI Open Campus is an ideal counterpart given its experience in developing engaging online curricula, and its desire to expand its market to the MSME sector. UWI has executed IDB regional projects in the past such as RG-T1276 on "Regional Non-Communicable Diseases Surveillance System". UWI will put together a project management team comprising of a Project Manager and part-time Administrative Support. The project team will work closely with the IDB, the Compete Caribbean Partnership Facility (CCPF), and local partner and donor organizations.
- 4.2 **Project Manager.** The EA will hire a Project Manager in agreement with the Bank, who will receive accounting and administrative support from UWI. The main duties and responsibilities of the EA's Project Manager are to: (i) manage the financial resources from the Bank's contribution; (ii) contracting of all consultant services according to applicable Bank policies, procedures and norms; (iii) coordinate work with the participating countries and institutions; (iv) organize and participate in events and regional consultations related to the objective of the project; (v) convene and organize SC meetings (vi) coordinate, stimulate and strive to complete work as per the TC schedule; and (vii) prepare and submit relevant financial and progress reports of the TC to the Bank. The project manager will work within UWI Open Campus' Division of Academic Programming and Delivery (APAD), which is responsible for developing and delivering the online courses of the UWIOC. The APAD has a programme coordinator, liaison librarians, subject matter experts, course developers, curriculum development specialists, instructional designers, peer reviewers a multimedia specialist, a production assistant, learning support specialists, and e-tutors, as well as personnel in charge of the technology platform.
- 4.3 **Steering Committee:** Each country will appoint one representative (National Focal Point) from the public Business Support Organizations and/or their Ministries requesting this project to form the Steering Committee (SC). The focal points will be responsible, at a national level, for ensuring complementarity between the content of the DTI and the activities/policies in support of MSMEs in each country, to ensure maximum leverage, and for making sure that the DTI serves the information needs of their clients and that of national policymakers and other stakeholders. Representatives from the IDB and CCPF will act in an advisory role. Representatives from academia and the business community may participate as observers. The SC will meet regularly to set the agenda of the project based on this plan of operations, decide on strategic matters and guide on the direction of the project. They will select a Chair, Vice-Chair and a Secretary. The Project Manager will participate in the SC and is responsible for implementing the guidelines and recommendations given.

- 4.4 Execution period and disbursements.** The project execution period will be 36 months. The disbursement period will be 42 months. Both periods are effective from the date of the signature of the agreement on behalf of both the Bank and the EA. As a condition for the first disbursement, the executing agency will be required to present evidence of (i) the selection of the project manager; (ii) the selection of the consultant to transfer the Digital Check-up; (iii) the establishment of the project's Steering Committee.
- 4.5 Procurement.** The procurement of goods and non-consulting services will be carried out in accordance with "Policies for the Procurement of Works and Goods financed by the IDB" (GN-2349-15) and the contracting of consulting services will be carried out in accordance with the "Policies for the selection and contracting of consultants financed by the IDB" (GN-2350-15). In accordance with a Technical Cooperation Agreement, signed between the IDB and the UWI, the UWI will act as the Financial Agent for the purposes of administering the grant resources that will finance the implementation of the project. The intellectual property of the knowledge (courses) will belong to the Bank. Notwithstanding, the Bank can grant a license to the University for the use of the courses.
- 4.6 Reporting.** The UWI will present to the Bank Semi-Annual Progress Reports regarding the implementation of the activities of the Project to be submitted within sixty (60) days after the end of each Semester. In addition, a final report is expected to be submitted within six months after the completion of the last project activity. The final report will present to the Bank the degree of fulfillment of the output indicators and progress toward the outcomes of the Results Matrix. The financial audit report of the project is to be submitted within ninety (90) days from the end of the project.

## **V. Major issues**

- 5.1** A campaign strategy that clearly communicates to MSMEs the value added and return on investment for investing time and resources to participate in the activities of the proposed institution is essential to establish the DTI's brand and to thus stimulate demand for its services. As such, an important strategy for the DTI is to develop and establish partnerships and to explore collaboration opportunities with content developers across the region and with key actors in the innovation ecosystem that can support MSMEs with the resources they need to strengthen their business models and grow.
- 5.2** A risk to the viability of the proposed institution are attrition rates. Many other programs offer lessons learned to address attrition rates of individuals but offer little insight into the attrition rates of this project's target audience, MSMEs. The proposed project will thus be collecting data on participants to better understand psychometrics (motivation, etc.) and to adapt accordingly to ensure improved selection methodologies, appropriate interventions for supporting MSMEs during the program (such as mentorship guidance, reminders on the benefits of completion, dashboards displaying analytics on progress towards meeting goals, etc.), and incentives for completing the program (such as connecting firms to key actors in the ecosystem that can support them with the necessary technical expertise or resources to grow their business).

## **VI. Exceptions to Bank policy**

- 6.1** There are no exceptions to Bank policy.

## **VII. Environmental and Social Strategy**

- 7.1 Given the nature of the program, there are no associated environmental or social risks. Based on the Environment and Safeguards Compliance Policy (OP-703) this operation is classified as "C". See Safeguards Policy Filter Report and Safeguards Screening Form.

**Required Annexes:**

[Request from the Client - RG-T3992](#)

[Results Matrix - RG-T3992](#)

[Terms of Reference - RG-T3992](#)

[Procurement Plan - RG-T3992](#)