

COVID-19 Recovery and Resiliency
Through Digitization of Caribbean
Financial Institutions and their MSME
Clients

Caribbean Digital Impact
Advisory Fund

Request for Proposals



**THE DIGITAL IMPACT
ADVISORY FUND**



IDB | **LAB**



DAI sustainable
business



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Summary of RFP:

1. Issue date	15, April, 2022
2. Title	Caribbean Digital Impact Advisory Fund
3. General Instructions to applicants	<p>Each Applicant is responsible for reading very carefully and understanding fully the terms and conditions of this RFP.</p> <p>Issuance of this RFP in no way obligates DAI to award a grant, subcontract or purchase order and Applicants will not be reimbursed for any costs associated with the preparation of their bid.</p>
4. Request for clarifications and receipt of questions	All questions regarding this RFP are to be sent via email to SBGProcurement@dai.com
5. Submission of Proposals	<p>Applicants shall submit proposals using the online application linked here: https://form.collect.dai.com/x/J7fWQ4dK by May 9th, 2022, midnight (U.S. Eastern Time, GMT-5). Late offers will be rejected. Please contact SBGProcurement@dai.com for assistance if you are unable to submit your application online. Proposals shall remain valid for acceptance for a period of 90 days from the RFP closing date.</p> <p>Technical and/or commercial clarification meetings may be scheduled with Applicants. Dates will be confirmed.</p>
6. Anticipated Period of Performance	July 2022 – March 2023
7. Basis of Award	<p>A judging panel will evaluate all applications received. Selected Applicants will be invited to participate in a pitch presentation and interview with the Panel. Before the presentation, Applicants will receive basic training and guidance on structure and develop their pitch presentation. The awardee will be selected based on the pitch presentations.</p> <p>Awardees will be expected to pass a vetting check that ensures all firms and individuals comply with local law and DAI and IDB Lab ethics policies. DAI will also conduct due diligence on all awardees whereby awardees will be asked to respond to a short questionnaire so that DAI can systematically evaluate information on the governance and financial management structures and processes of the partner organization in order to identify risks and issues relating to the proposed partnership or agreement.</p>

Request for Proposals (RFP) – Caribbean Digital Impact Fund

Background:

The Digital Impact Fund is part of the IDB Lab EcoMicro portfolio – *COVID-19 Recovery and Resilience Through Digitalization of Caribbean FIs And Their MSME Clients* which is executed by DAI Global. The objective of this project is to increase the adoption of digital innovations that promote business and resilience and enhance 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.).

Businesses and entrepreneurs across the Caribbean face a variety of barriers that prevent them from adopting digital solutions that would improve their performance, competitiveness, and impact in the ecosystem. A recent study created by DAI for the *EcoMicro - COVID-19 Recovery and Resilience through Digitalization of Caribbean FIs and their MSMEs clients'* project identified relevant barriers in the Caribbean ecosystem that are constraining the digital growth in the region.

Lack of a Digital Culture: The first and most important barrier is that the Caribbean lacks the appropriate “culture” needed to propel and sustain the adoption of digital technologies, especially in financial services. People from Caribbean nations, in general, “don’t trust what they can’t see” and, for that reason, online transactions are perceived with skepticism and even fear.

Lack of Horizontal Integration: From the perspective of financial services, banks tend to own all aspects of their service offerings and their respective technologies. Vertical integration, rather than multilayered outsourcing and partnerships, is still the norm, limiting inclusive access to digital financial services. Additionally, FIs have not prioritized balance sheet lending availability within their portfolio towards underwriting loans that could be used to help their MSME customers digitalize their businesses. In addition, loan staff are often unfamiliar with the range of FinTech and digital solutions that might be suitable for their customers.

Gap in Innovation: The region is limited in startup and innovation activity. Even in IT, a typically high-tech and innovative sector, most companies are “service-oriented” (e.g.: build websites and apps, provide basic IT services etc.), not focused on product innovation, (e.g.: machine learning, AI, and blockchain). Compounding this problem is an underdeveloped e-commerce industry in the Caribbean. There are few online marketplaces, banks are risk-averse to accepting online transactions, online platforms are expensive and slow, there are no clear regulations for e-commerce in general, and the logistics and infrastructure for product delivery are not efficient enough to satisfy e-commerce needs.

Fragmented Region: Because Caribbean countries are small in size and population, there is a limited market in any single country, restraining MSME growth potential. Reinforcing this, the interconnection between Caribbean countries is poor; flying between Caribbean countries is often

costly and the dialogue between key players in the ecosystem is still weak. Moreover, the Caribbean has suffered from a brain drain in the past few decades seeing some of its brightest leave to study and work abroad, mainly in the US and Canada, but also in other English-speaking developed countries.

Start-ups Lack Appropriate Support: Despite the presence of several ESOs in the region, such as incubators and accelerators, there is the prevailing perception that, generally, ESOs are lacking in quality. As a result, entrepreneurs focused on technological solutions find it hard to receive technical support or advice to grow their businesses and become successful.

Country Specific Barriers to MSME Digitalization

Country	Specific Barriers to Digitalization
Grenada	<ul style="list-style-type: none"> • Low digital literacy rates and limited technology usage among rural populations • Lack of a foundational digital infrastructure limits access to digital services and payments • Grenada's small national market limits economies of scale associated with digital technologies.
Belize	<ul style="list-style-type: none"> • Relatively low levels of financial inclusion and literacy • Continued reliance on physical financial transactions • Limited innovation financing ecosystem • Lack of reliable and accessible digital information on potential borrowers • ATM and Point of Sale (POS) networks are not currently inter-operable
Guyana	<ul style="list-style-type: none"> • Low levels of digital financial inclusion • Challenges related to digital infrastructure • Limited support network for early-stage digital innovators • Low innovation levels among dominant incumbent financial institutions
Jamaica	<ul style="list-style-type: none"> • Limited use of digital payments • A broad digital divide exists between rural and urban populations • High financial services costs impede financial inclusion efforts • Existing regulations tend to favor incumbent financial institutions over fintechs
Dominica	<ul style="list-style-type: none"> • Limited connectivity of public sector networks • Lack of granular national data on digital transactions • Lack of domestic digital payment platforms • Dominica's small market size and nascent innovation financing ecosystem contribute to limited funding options for early-stage innovators
Suriname	<ul style="list-style-type: none"> • Limited access to finance inhibits uptake of digital financial platforms • Deficiencies in national infrastructure constrain reliable electricity access, which is foundational for digital connectivity • Absence of an electronic payments infrastructure • Lack of a supportive enabling environment for SMEs and start-ups • Underdeveloped innovation financing ecosystem
Trinidad and Tobago	<ul style="list-style-type: none"> • Low adoption of financial services – and digital payments in particular – among SMEs and individuals • Lack of VC funding for digital innovations at the pre-seed, seed and series A stages • Fragmented regulatory environment for electronic payments

Objective

The Objective of the Digital Impact Fund is to provide technical assistance to tech start-up and scale-up firms who are providing digital solutions tailored to the Caribbean MSME experience to increase the digitalization of MSMEs. Firms can apply through one of the three application tracks identified below:

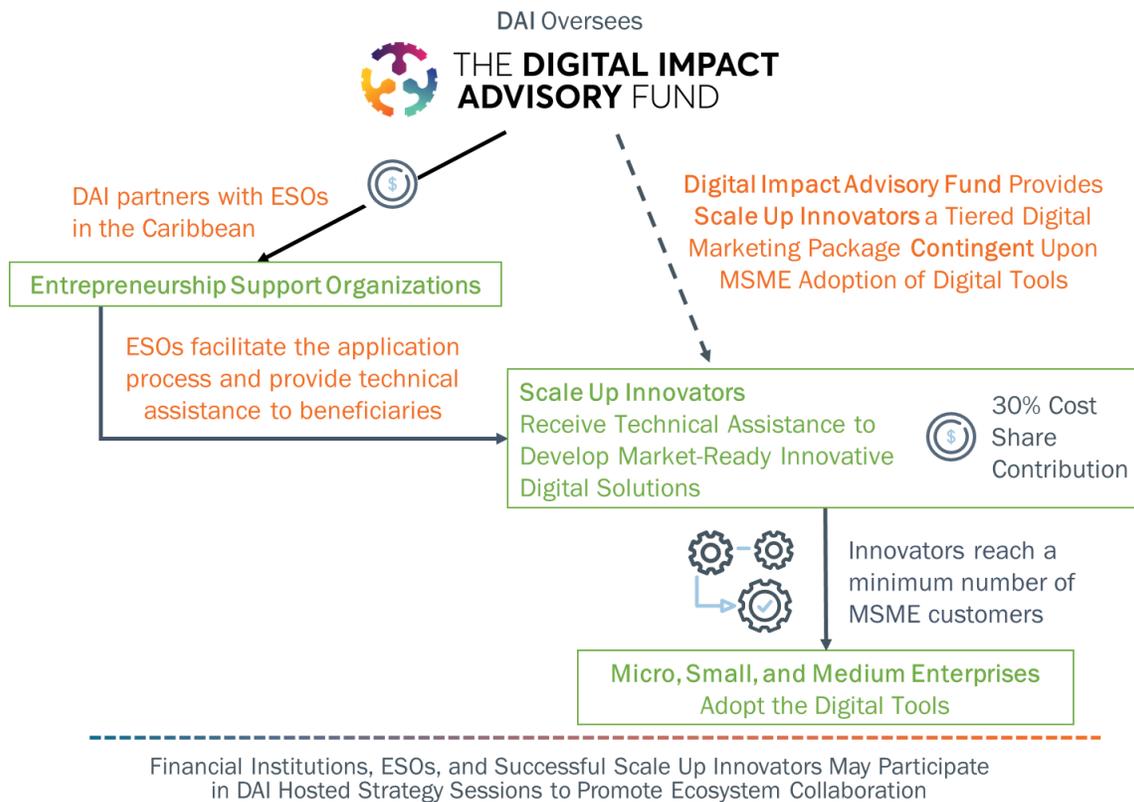
Application Track	Problem	Solution	Example
Track 1: Digital Management Information Systems (MIS)	Financial Institutions and MSMEs: Both Financial Institutions and MSMEs rely on paper to conduct business which has disrupted business during COVID-19 as business becomes more virtual. MSMEs and FIs either don't have access to data or the tools to organize existing data that would improve decision making.	Financial Institutions and MSMEs: MIS tools can support FI's and MSME's transition to paperless and improve their ability to make data informed decisions. Additionally, these improvements help improve engagement with customers and can help an MSME or FI grow its customer base	Financial Institutions: An online credit submission form that collects all or most of the customers information and digitize paperwork and evidence from the clients. MSMEs: Solutions under this track may use AI or machine learning to promote automation within an MSME.
Track 2: Enterprise Resource Planning Tools (inventory, procurement, and accounting)	Financial Institutions: FIs lack tools to manage and monitor their core banking operations. Processes are often duplicated, and information usually takes time to incorporate and export amongst branches or to the central office. Some tasks are repetitive, such as data entry and transcriptions to the core banking software. Digitalization of documents is not standardized and is time consuming for the customers and FI representatives. MSMEs: MSMEs in the region have low adoption	Financial Institutions: An ERP tool can offer solutions for data management, customer service and data analysis. Information can be easily streamlined amongst branches; repetitive operations can be automated. Generation of periodic financial reporting can be scheduled thorough data collection. Some back-office tasks could be automated, such as disbursement of credits and risk management for non-performing loans. Other services can be	Financial Institutions: ERP tools can be configured to monitor customer acquisition and satisfaction, and target bottlenecks for improvement. With regards to customer satisfaction, policies can be implemented by hosting call center operations and online accounts for customers. Through ERP, procedures can be automated to follow-up customer complaints, ensuring all issues are addressed in a timely manner.

	<p>of ERP tools that specifically improve a firm’s inventory, procurement, or accounting practices. International products exist on the market, but these products are often expensive and are not tailored to the needs of Caribbean MSMEs. MSMEs have limited cashflow and need an ERP that can integrate with their operations and deliver immediate cost savings</p>	<p>covered, such as administrative tasks, payroll, and staff scheduling. MSMEs: ERP tools under this track should specifically focus on back-end systems to improve the inventory, procurement, and accounting practices. Solutions under this track should promote automation to help MSMEs grow their businesses and become more resilient to external shocks as the COVID-19 pandemic.</p>	<p>MSMEs: An accounting software that is simplified to automate bookkeeping and can be scaled up to grow with the MSME.</p>
<p>Track 3: Digital Payment Solutions</p>	<p>Financial Institutions: FIs lack digital payment services. For active members, not having a digital payment option makes transactions, such as loan disbursements or repayments more challenging. With regards to the FIs, not having a digital payment system means FI’s are missing data that could help them learn from their members and adjust their offerings of products and services for custom-made solutions. MSMEs: While digital payment platforms are widespread in the Caribbean, adoption of this tool is low among MSMEs. Accessing digital payment platforms is especially challenging for micro or informal enterprises,</p>	<p>Financial Institutions: Through digital payments, FI members can initiate, clear, and settle any transactions faster, even though a website or mobile application, at any time. These offer immediate and frictionless customer experience, and provide opportunities to explore new solutions, products, and services through the collected data. MSMEs: Solutions under this track should facilitate relationships between Financial Institutions and MSMEs or between MSMEs and their customers to promote MSME adoption of digital payment platforms. Solutions could also facilitate</p>	<p>Financial Institutions: Through digital payments, the FI members can find a simple digital tool to transact either to receive disbursements and automate repayments. Through such tool membership satisfaction can be reinforced due to the limited access to a physical touch point, by offering payment options (e.g., digital wallets). Additionally, members can experience customized product offerings and value-added tools, such as planning and budgeting, and customer retention strategies through</p>

	<p>preventing them from growing their business and becoming more resilient to COVID-19 style shocks. Additionally, e-commerce sites are not well integrated with digital payment platforms, requiring customers to pay in cash in person or via a separate, non-integrated payment platform, making online shopping less accessible.</p>	<p>stronger integration between digital payment platforms and e-commerce sites.</p>	<p>loyalty campaigns and rewards. MSMEs: Convenience stores that used to operate only with cash, migrated to e-commerce and delivery platforms in order to survive during the pandemic. Then the creation of a simple payments system connected to a useful e-commerce platform of specific products is valuable mainly for not familiarized businesses.</p>
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Digital Impact Advisory Fund Financing

DAI, as the Executing Agency, manages and oversees the Digital Impact Fund. Tech Innovator Scale Up firms can apply for funding for technical assistance to support the development of their service or product under one of the application tracks listed. Applicants must demonstrate how their solution benefits MSMEs either directly or indirectly in the Caribbean and how they will measure the impact of their solution on that community. Simultaneously, DAI has developed partnerships with technical assistance service providers in the region who may be engaged to provide the requested technical assistance on a case-by-case basis.



Awards will be used to support the delivery of technical assistance from Caribbean-based partners: Ten Habitat, V75, TechBeach Jamaica, or others. Technical Assistance may include, but is not limited to:

- **Customer outreach:** strategy sessions with key stakeholders, developing a new customer onboarding plan, communications plan, digital literacy programs, and others
- **Trainings:** such as intellectual property, measuring impact, investment readiness, how to work with MSMEs, how to adapt solutions to different target audiences, how to scale a business, etc.
- **Mentorship:** business model advising, technical solutions and product delivery advising
- **Networking support:** how to engage investors, events and meet and greets with potential investors, connecting entrepreneurs with international providers to promote knowledge sharing and learning for the Caribbean context, outreach to potential MSME customers
- **Customer Journey and Human Centered Design:** training and exercises to improve understanding of and outreach to MSME customers
- **Advisory services:** such as legal counsel or human resources support.

The Digital Impact Fund anticipates making awards to 8-20 firms for a maximum value of \$20,000 USD per award. Awards will be made to the strongest applicants regardless of application track, we do not have a minimum number of awards that need to be made per track.

In the case that a beneficiary needs support that cannot be provided by Ten Habitat, V75, or Tech Beach Jamaica, DAI will analyze potential alternative solution providers to meet the beneficiary's needs.

Awards cannot be used for:

- Award is not a direct cash payment to the Tech Innovator applicant
- Award cannot be used as start-up capital to register a business or pay for operations costs of the business
- Award cannot be used to pay for MSME adoption of digital solutions i.e. paying a subscription for a CRM tool for an MSME

Eligibility and Evaluation Criteria

Eligibility

Late-stage innovative tech firms that are developing new or adapting existing digital technologies in the Caribbean should apply.

Firms that may apply include:

- Technology platforms for payments, home deliveries, and e-business
- FinTechs and startups
- Small business platforms and associations
- E-Business platforms
- Edutech companies and learning platforms
- Financial Institutions with R&D or similar innovation department developing new digital solutions for their MSME clients
- Other actors in local innovation and entrepreneurship ecosystems
- Firms should be at Technology Readiness Levels 7-9¹

Only firms that meet all the below criteria shall apply for the Digital Impact Fund:

- Businesses registered in the Latin America / Caribbean region with a market base in Belize, Dominica, Grenada, Guyana, Jamaica, or Trinidad and Tobago
- Scale-up firms offering a new digital solution, trying to expand their offering through new digital solutions, or have an existing digital solution they would like to tailor to MSME clients.
- Solutions should consider vulnerable populations in its design (women, youth, seniors) in one of the following ways:
 - Vulnerable populations are linked to the solutions and business model directly
 - Vulnerable populations are the direct beneficiaries of the proposed solution
 - Applicant firm is women, youth, or senior owned and/or make up the firm's leadership team
- Solution must demonstrate impact for MSME clients and a clear methodology for measuring impact once the proposed solution has been implemented

¹ https://www.nasa.gov/directorates/heo/scan/engineering/technology/technology_readiness_level

We encourage applications from firms that have previously participated in programs facilitated by Accelerators or Innovation Hubs in the region, especially by BELTRAIDE, Ten Habitat, Tech Beach, YBTT, V75, or the Branson Center.

Evaluation

The online application is made up of 2 parts, the technical and commercial proposal. A panel will evaluate all applications received before the closing date and selected applicants will be invited to participate in a pitch presentation and interview with the panelists. Applications will be evaluated on the following criteria:

Strong Technical proposals shall:

- Propose an innovative solution
- Consider the long-term sustainability of the proposed solution
- Demonstrate the potential to scale the solution or business
- Focus on vulnerable people and/or under-neglected areas
- Identify how MSMEs and vulnerable populations (women, youth, and seniors) will benefit from the proposed solution and details how the applicant firm will encourage MSME adoption of digital tools
 - Example: website includes a chat box functionality to provide customer support and answer MSME questions as part of subscription cost **AND/OR** applicant provides publicly available resources (videos, FAQ, phone call) to demonstrate the benefit of the solution to MSME clients **AND/OR** other methods
- Demonstrate that solutions reach MSME beneficiaries across sectors, strong applicants specifically will benefit MSME clients in agriculture or tourism
- Demonstrate sufficient institutional capacity (i.e. human capital, financial capacity, accounting, managerial, etc.) to implement the proposed activity and clearly identifies the kind of technical assistance requested
- Have firm's leadership/CEO involved as key personnel in the solution implementation
- Clearly identify beneficiary co-financing for a minimum of 30% of the total value

Specific commercial terms will depend on the match between received projects and partners available services.

Strong Commercial proposals shall:

- Be clearly articulated and realistic within the context of the provided Digital Impact Advisory Fund Timeline which is subject to auditing
- Identify cost share contributions for a minimum of 30% of the total value of the budget
- Commercial proposal shall be between \$6,000 - \$20,000 USD (or the equivalent at the time of submission in local currency). The 30% required applicant contribution does not count toward \$20,000 limit

Timeline



April 15, 2022 – The application portal opens online.

May 9, 2022 – The application window closes, and no further applications will be accepted. Incomplete applications will be rejected, and applicants will be notified.

May 9 – 13, 2022 – Selected semi-finalists will be notified

May 16 – 27 – Semi-finalists receive pitch preparation coaching and prepare their final presentation for the panel

May 30 – June 10, 2022 – Pitch presentations are conducted. Applicants will have 10 minutes to present their solution and Panelists will have an opportunity to ask questions.

June 17, 2022 – Winners are selected

June – July 2022 – Agreements are finalized, and implementation begins

Additional Information

Coaching – Selected applicants will receive limited coaching before presenting their pitch to the judging panel. All applicants will be provided with the same presentation template and guidance on how to structure their presentation. Prior to agreement finalization, selected awardees will receive individualized feedback to ensure a strong final implementation plan.

Due Diligence and Vetting - DAI will conduct vetting and due diligence of the applicants whose projects are declared eligible, which will include preparing the package of documents necessary to request final approval of the project by working closely with the applicant entities.

Monitoring and Evaluation - During implementation, all awardees will be expected to conduct M&E activities to determine the impact and success of their solution up to 1 year after activities have closed out. Applicants will be asked to provide anticipated outcomes; illustrative indicators may include:

- Number of customers using the new tool
- Number of MSMEs reached to implement the digital solution
- Percentage of revenue collected from customers located in a different country than the company is based in

- Reduction in total manhours required within a single workstream
- Percentage revenue growth monthly or yearly that can be related to the incorporation of the digital tool or strategy