

Call for Expression of Interest to participate in a pilot action on designing and evaluating effective instrument to strengthen firm productivity through the adoption of digital technologies and complementary managerial practices

BACKGROUND NOTE

DIGITRANS – Promoting Digital Transformation and Managerial Practices for Productivity

European Commission – Directorate General for Regional and Urban Policy
World Bank – Finance, Competitiveness, and Innovation Global Practice

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Background

The European Commission's DG REGIO and the World Bank Group's Finance, Competitiveness and Innovation Global Practice are collaborating on a project to design, pilot and evaluate an effective instrument to strengthen firm productivity through the adoption of digital technologies and complementary managerial practices. MSME digitization can lead to higher productivity, which is critical for recovery from the COVID-19 crisis and improving the living standards of European citizens.¹ Results of novel research evidence the crucial role of firm capabilities in enhancing their digitization. However, non-technological aspects are oftentimes omitted in policies aiming for stimulate adoption and usage of digital technologies. Especially managerial skills are increasingly recognized as a key factor among the complex drivers of digital technology adoption², pointing out to strong complementarity between IT, technological awareness and management practices.³ Behavioural aspects also play strong role in firm decisions related to adoption and usage of digital technologies, including managers' beliefs, mindset, organizational culture, and the influence of peers and networks.⁴ Consequently, instruments that just focus on financing of technology but ignore managerial capabilities and human factors may not yield the full benefits of digital technology adoption.

Responding to the above challenge, the REGIO-WB Digitrans project aims to create a replicable and scalable intervention for enhancing firm-level digitization and test its effectiveness using rigorous impact evaluation methodologies. The Digitrans project has two phases to work together with authorities from the selected EU Member States in design, implementation and evaluation of the pilot instrument. Phase One will support two main activities: (a) a rapid diagnostic to identify key design features, implementation partners, and costing for the full-scale pilot, (b) design and field testing will focus on proof of concept for the proposed design features with potential beneficiaries and implementation partners for the full-scale pilot, including through experimentation and consultation. It is planned to be concluded with the tailored pilot design in Q2 2023. Phase Two will support a larger scale pilot, evidence from evaluation, and recommendations for future program scalability. This phase will be rolled out based on the results of Phase One, and last up to Q3 2024. During the project, World Bank will support public authorities/agencies from up to 4 Member States in evidence-based programming by providing lessons from global evidence as well as hands-on support in the design and implementation phases, tailored to needs of the selected countries.

Timing of the project responds to challenges in post-pandemic economic recovery and fits into the EU-wide policy cycle. As the COVID-19 crisis incentivized many SMEs to increase usage of already existing digital technologies, but not to invest in new capabilities⁵, it could lead to a widening digitization gap between highly capable, large firms and SMEs, which is particularly challenging in the catching-up countries. Learning generated from implementation of pilot instruments in 2023 and 2024 could guide future public investments to address this challenge in the second half of the 2021-2027 Multiannual Financial Framework, following mid-term reviews of national and regional operational programs.

¹ [Cusolito et al. \(2018\)](#).

² [Arendt \(2008\)](#); Machin. and van Reenen (1998); Autor et al (2003a); [Lynn \(2005\)](#); Bartel et al (2007); [Martin et al \(2013\)](#).

³ Bloom et al (2012).

⁴ Renuka et al (2006).

⁵ [WBG COVID-19 Business Pulse Survey Dashboard](#)

Purpose of the Call

The European Commission's Directorate General for Regional and Urban policy (DG REGIO) and the World Bank Group's Finance, Competitiveness, and Innovation Global Practice (FCI), are looking for public authorities/agencies from up to 4 EU Member States interested in collaborating in the design and implementation of a pilot instrument supporting firms in adopting digital technologies, along with upgrade of managerial capabilities and firm organization. The World Bank, together with researchers from academia, private sector and institutions delivering firm-level digitization services, will provide capacity building, technical feedback, as well as evaluation assistance to selected Member States.

Interested teams can submit their expression of interest (EoI) by submitting an **application form by the deadline on September 15, 2022, 1800 CET**. The call will open in early August and be open to public authorities/agencies managing and/or implementing national-level support instruments from all EU Member States.

During the call, two informational webinars for potential applicants will be organized:

- 24th August 2022, 1200 CET.
- 7th September 2022, 1600 CET.

Representatives of interested public authorities/agencies could register for the webinars by contacting Damian Iwanowski (diwanowski@worldbank.org / +48 791 722 869).

This Background Note provides further details on the selection process, project details, and guidance to complete the application form.

Eligibility criteria

The applicants must be willing to design, pilot and evaluate an instrument to strengthen firm productivity through the adoption of digital technologies and complementary managerial practices. The details of the instrument will be developed during the pilot and its continued alignment with the objectives will be assessed on an ongoing basis by members of the Digtrans project team.

Only public authorities/agencies engaged in management and/or implementation of nation-wide support instruments are invited to participate. In case of multiple applications by public authorities/agencies from a single country, the Digtrans project team will contact applicants to determine the best fit and discuss possible coordination arrangements.

Award criteria

Assessment of the applicant's commitment and organizational capacity for participating in the Digitrans project will be assessed on the basis of answers to questions on pilot readiness in the application form. Award criteria are not scored, but positive assessment of 3 out of 5 questions regarding capabilities is necessary for selection.

Pilot readiness (pass or fail) – data source: Application form.

- Commitment – willingness for adjusting operational program and / or other investment plans to reflect the Digitrans project and its roll-out (pass or fail).
 - Q2.1. Would you like to volunteer an existing or upcoming intervention under the Operational Programs and / or any other planned investments for participation in the Digitrans pilot?
 - No
 - Yes
 - Q2.2. (*optional, in case Question 2.1 does not apply*) If you do not have plans for any digitization program that include managerial components, would you be willing to adapt your intervention based on learning from the Digitrans pilot?
 - No
 - Yes
- Capabilities – organizational capacity of public authorities/agencies leading design and implementation of the potential pilot project.
 - Q2.3. Does your organization use Theory of Change or similar methodologies for constructing logical framework of your interventions / programs?
 - No
 - Yes
 - Q2.4. Does the public authority/agency operate an M&E system that allows for monitoring and / or performing rigorous impact evaluations?
 - No
 - Yes
 - Q2.5. Does the public authority/agency have explicit processes for learning from evidence during implementation?
 - No
 - Yes
 - Q2.6. Does the public authority/agency have past experience in operating firm-level support instruments for advancing SME digitization?
 - No
 - Yes
 - Q2.7. Does the public authority/agency have technical experts who could participate in the Digitrans pilot project?
 - No
 - Yes

Selection criteria

Once all Expressions of Interest have been received, the Digitrans project team will score the submissions. Members of the Digitrans Project team may contact applicants if clarifications are needed to judge the quality of application. Score for selection criteria will combine points related to economic conditions of the applicant and quality of application, according to the following criteria:

Scores for economic conditions will be calculated based on value of indicators, with high scores for lower values of indicators.

Economic conditions (0-40 points) – data source: Eurostat.

- Socio-economic development (0-30 points) – priority for catching-up economies.
 - GDP per capita PPP, 2021 – EUR (0-10 points).
 - Labor productivity per hour worked, 2021 – EUR (0-10 points).
 - Business R&D expenditure, 2020 – % of GDP (0-10 points).
- Digital readiness (0-10 points) – priority for economies with the biggest digital gap.
 - Pilar 3 of the Digital Innovation and Society Index 2021 – score.

Scores for motivation and strategic relevance will be determined by a review of alignment with objectives of the Digitrans project performed by two independent experts.

Motivation and strategic relevance (0-60 points) – data source: Application form

- Q3.1 What is your motivation to participate in the Digitrans project? (0-15 points)
- Q3.2 What are the main challenges related to firm-level digitization that need to be addressed in the next 3-5 years? (0-15 points)
- Q3.3 What lessons did you learn from past intervention(s) on firm-level digitization that have or may influenced future intervention design? (0-15 points)
- Q3.4 What are potential risks to the implementation of the pilot program under the Digitrans project and how to mitigate them? (0-15 points)

Applicants will be informed about the results of the selection process. Applicants are free to appeal a decision within 7 days after the results are announced.

Funding arrangements for the Digitrans project

The REGIO-WB project will cover the costs related to provision of technical assistance in designing, implementing and evaluating the pilot instruments. In particular, it includes remuneration of experts, field trips and study visits contributing to project objectives. The project will also cover expenditures related to delivery of support services for beneficiaries of the pilot instrument. Services for beneficiaries will be provided by implementation partners selected over the course of the pilot design process.

The public authorities/agencies participating in the Digitrans are welcome to provide additional financing for delivery of support services for beneficiaries under the pilot instrument. All forms of financing are accepted, both from national budgets and EU co-financed operational programs, conditional on acceptance by the European Commission. However, this is not a prerequisite for application to the Digitrans program.

Digitrans Project – Background Information

The World Bank will provide complex support for design, piloting and evaluation of the pilot instrument. Members of the Digitrans project team will work hands-on with staff of the selected public authorities/agencies to determine the most effective approach to firm digitization in the pilot countries.

This Call for Expression of Interest relates to participation in Phase 1A and 1B. Phase 2 will be rolled out based on the results of Phase 1A and 1B.

Phase 1A Rapid diagnostic

Q3 2022 – Q4 2022

The rapid diagnostic will support identification of the likely pilot design features and costing, and potential implementation partners. This will be achieved through a three-step approach, including:

Country-level assessment of the demand for and obstacles to digital adoption and supply analysis by mapping of existing programs and institutions supporting SME digitization and managerial skills.

- Demand side assessment – the World Bank team will propose a set of mixed methods, quantitative (including rapid data collection to complement existing data sources such as the ICT usage in enterprise surveys) and qualitative approaches, to understand the barriers for digital technology adoption and managerial skills improvements by country and firm type. The quantitative assessment will rely on existing data sources such as the ICT usage in enterprise surveys to identify drivers and barriers to adoption. Additionally, this part will include also rapid data collection to assess recent acceleration of digitalization during COVID, building on the recent experience of Business Pulse Survey. The qualitative assessment will involve both quick case studies and focus groups. The World Bank will advise public authorities/agencies in considering several important aspects for targeting of the pilot, including but not limited to size, sector, gender ownership, etc.
- Supply side assessment – the World Bank will perform analyses following methodology for conducting Public Expenditure Reviews for Science Technology and Innovation (PER STI) and extend this to programming for firm digitization and managerial skills. Specifically, the assessment will map all existing policies, programs, assessment/ benchmarking/ marketplace platforms, supporting the uptake of digital and managerial practices. It will also analyze their design, implementation, governance, and evaluation practices in

order to determine the most relevant scope and features of the future pilot program across all potential pilot countries. Additionally, the World Bank will perform rapid landscape analysis to understand the institutional setup for policymaking and implementation in each potential pilot country to identify implementation partners for the pilot. On the public sector side, special attention will be paid to ministries, managing authorities, regional authorities, implementing agencies in charge of firm digitization, entities such as the European/Digital Innovation Hubs, as well as academic, applied research, and technology transfer institutions. On the private sector side, there will be an assessment of the capacity and availability of local consultancy firms and academic institutions that may be necessary for pilot rollout/future scaleup. This phase is also essential to surface any significant in-country institutional or capacity gaps that could otherwise hinder or delay the implementation of the pilot and future scale-up.

Provision of lessons learned from global programming and evaluation evidence.

There is significant evidence on the value that digital technologies and managerial capabilities generate at the firm level. In order to determine the final scope and design of the pilot instrument, it is important to consider the evidence and existing practice – however nascent – of programming globally. The Digitrans project team will provide public authorities/agencies with codified lessons from a systematic literature review of the existing evidence and catalog operational design features and evaluation practices of global programs for digitization and managerial capability building. The World Bank will leverage this to distill the most relevant global practices and operational features for the EU context, to inform the pilot design.

Phase 1B Pilot design and field testing

Q3 2022 – Q2 2023

The objective of this phase is to design a pilot and field test its design features with potential firm beneficiaries and implementation partners. This will be achieved through numerous activities, including but not limited to pilot design, pilot design consultations, and costing.

The preceding analysis of existing digital and managerial programs and potential institutional delivery partners will inform design and broad stakeholder consultations to determine operational guidelines for the pilot, including the relevant pilot program evaluation. This phase will test key assumptions around operational aspects, including on: beneficiary and implementing partner selection and eligibility (inter/national consulting firms, universities and applied research institutions, regional/national business development institutions, European/Digital Innovation Hubs); program evaluation approaches; target firms (size, age, digital readiness); modality of assessment (benchmarking, other); delivery modality (one-off, phased, virtual, face-to-face, cohort-based, individualized milestone-based); content (sector specific/agnostic); duration (several days, weeks, to several months); costs per firm and overall pilot; capacity building needs of implementing partners; instrument (including but not limited to vouchers, matching/royalty-bearing grants, financial instruments, direct technical assistance); and any other key aspects for successful pilot/scale-up.

The features for the eventual pilot program could be consulted based on the levels of digital readiness of MSMEs. Consultations would aim to surface where the pilot may bring most value within the given time constraints, e.g., in older MSMEs with minimal exposure and that could benefit most from the adoption of basic transactional technologies; established SMEs with basic proficiency that could benefit from intermediate informational technologies and managerial skills building; or exporter or value chain SMEs that may have more sophisticated managerial and digitization needs, e.g., in informational and operational technologies. The pilot will include the proof of concept of the instrument to assess its feasibility in order to provide operational lessons about implementation.

Phase 2 Larger scale pilot and evaluation

Q3 2023 – Q3 2024

The objective of this phase is to deliver on a larger scale a robust and rigorous evidence-based pilot instrument. Evidence created during the pilot will provide relevant information for future scale up and programming. The World Bank would support any relevant ministries, public authorities and/or agencies involved in the larger scale pilot, including with the establishment of evaluation frameworks. The support will include capacity building and just-in-time advisory to clarify technical issues that may emerge during the larger scale pilot, including on evaluation, stakeholder engagements, coordination, or knowledge exchanges. This phase will also include visits, workshops and preparation of briefs to disseminate the findings from the pilot itself as well as evidence from the evaluation in support of future programming efforts.

Contact

In case of any questions, please contact Damian Iwanowski (diwanowski@worldbank.org / +48 791 722 869) and REGIO-SMART-GROWTH@ec.europa.eu.