

## TC ABSTRACT

### I. Basic Project Data

▪ Country/Region:	BELIZE/CID - Isthmus & DR
▪ TC Name:	Digital Transformation for Improving the Business Climate for MSMEs in Belize
▪ TC Number:	BL-T1129
▪ Team Leader/Members:	GRANT, KAYLA SHAREE (IFD/CTI) Team Leader; VASQUEZ ROSSI, MARIA INES (IFD/ICS) Alternate Team Leader; WADE, HENRY GILBERT JR.; SIERRA LIRANZO, MAYRETT (IFD/CTI); SOLIS AHUMADA, GALILEO HUMBERTO (IFD/CTI); BRYANT, ALEXIS (CID/CBL); GILLES, AURELIE FLAVY (CID/CID)
▪ Taxonomy:	Operational Support
▪ Number and name of operation supported by the TC:	Digital Innovation to Boost Economic Development in Belize - BL-L1039
▪ Date of TC Abstract:	23 Mar 2022
▪ Beneficiary:	Government of Belize
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK
▪ IDB funding requested:	US\$200,000.00
▪ Local counterpart funding:	US\$0.00
▪ Disbursement period:	24 months
▪ Types of consultants:	Individuals; Firms
▪ Prepared by Unit:	IFD/CTI - Competitiveness, Technology and Innovation Division
▪ Unit of Disbursement Responsibility:	CID/CBL - Country Office Belize
▪ TC included in Country Strategy (y/n):	Yes
▪ TC included in CPD (y/n):	Yes
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Productivity and innovation ; Institutional capacity and rule of law; Gender equality

### II. Objective and Justification

- 2.1 The objective of this project is to strengthen the Government of Belize (GOB) in simplifying the delivery of a broad range of prioritized public services thereby establishing a foundation for effectively leveraging digital technologies to facilitate innovation and competitiveness amongst Micro, Small and Medium enterprises (MSMEs).
- 2.2 MSMEs are critical to creating jobs and reducing poverty within the Belizean economy yet face multiple challenges in doing business. The GOB greatly progressed in enacting reforms and to digitalize its public services. Under the “Leveraging Digital Technology for Improving the Business Climate in Belize” (ATN/CO 16736-BL), the Belize Companies Registry (BCCAR) was digitized and legislation to support the Government and private sector in operating in the digital economy was drafted and submitted to Parliament. Under the “Strengthening Public Expenditure Management in Belize” (5353/OC-BL), the GOB has introduced a tax administration reform. The GOB established the National MSME Initiative Working Group charged with coordinating a strategy where doing business in Belize is simple, digital and quick. The GOB

approved the National Digital Agenda which establishes the country's vision to become a digital economy.

- 2.3 The TC will complement the objective of the loan “Digital Innovation to Boost Economic Development in Belize” (BL L1039, under preparation). More specifically, the TC will supplement digital transformation efforts by addressing the following identified gaps: (i) draft of legislative and regulatory reform measures that will support the simplification of the regulatory environment for MSMEs; (ii) build the institutional capacity of the GOB to coordinate, monitor and evaluate a set of digital transformation interventions that will strengthen the innovation and entrepreneurship ecosystem towards supporting the growth of MSMEs; and (iii) a communication strategy for promoting digital mindset shifts. All project activities will be gender sensitized.
- 2.4 This TC is consistent with the Second Update to the Institutional Strategy (AB-3190-2) as it is strategically aligned with the development challenge of productivity and innovation, specifically addressing the special needs of small and vulnerable countries in fostering development through the private sector. It is aligned with the cross-cutting issues of: (i) Institutional capacity and the rule of law; (ii) Gender equality; and (iii) Productivity and innovation. The TC is aligned with the priority area of Effective, Efficient and Transparent Institutions of the Ordinary Capital Strategic Development Program (GN-2819-14), that has as expected results: (i) strengthen institutional and policy quality as well as service delivery and policy implementation, to improve public sector management and promote private sector development, and (ii) leverage digital transformation to promote more effective, efficient, and transparent governments, better and more equal opportunities for citizens, and more productive and innovative firms. This program is aligned with the 2022-2025 Country Strategy for Belize (GN-3086) in the priority area of private sector productivity and sustainable growth with a focus on MSMEs. Regarding the IDB's Corporate Results Framework 2020-2023 (GN-2727-12), the development challenge of productivity and innovation will be addressed through efforts to improve the business climate for MSMEs by promoting digital transformation. Finally, the proposed activities support the following priorities of the IDB's Vision 2025: (i) the digital economy as it relates to improving digital culture and awareness; and (ii) support to MSMEs as it relates to the design of proposed policy measures that can be implemented to support MSMEs in successfully conducting business in the new normal.

### **III. Description of Activities and Outputs**

- 3.1 **Component I: Regulatory Drafting to Simplify the Rules for MSMEs.** This component will finance a consultancy to: (i) conduct a regulatory impact assessment to assess the impact of proposed regulations on MSMEs; (ii) use the findings to draft an innovative, simplified, and all-encompassing (gender sensitive) legislative reform that would improve the ease of doing business for small companies in Belize; and (iii) develop a process simplification strategy for prioritized doing business processes for small companies in Belize.
- 3.2 **Component II: Training, Communication, Smart Monitoring, and Evaluation.** This component will finance activities to support the preparation of the BL-L1039 loan with the goal of improving the evaluability of the program. Outputs include: (i) design of a digital smart Monitoring, Evaluation, Accountability, Learning, and Stories (MEALS) system; (ii) data collection and analysis and performance reporting; (iii) a workshop on impact evaluation methodologies for digital innovation programs; and (iv) a stakeholder sensitization strategy.

#### IV. Budget

Indicative Budget

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
Regulatory Drafting to Simplify the Rules for MSMEs	US\$100,000.00	US\$0.00	US\$100,000.00
Training, Communication, Smart Monitoring, and Evaluation	US\$100,000.00	US\$0.00	US\$100,000.00
<b>Total</b>	<b>US\$200,000.00</b>	<b>US\$0.00</b>	<b>US\$200,000.00</b>

#### V. Executing Agency and Execution Structure

- 5.1 This TC will be executed by the Bank through the Competitiveness, Technology, and Innovation Division (IFD/CTI). As per the country's request, the Bank will execute the TC. The Bank will hire the services of individual consultants and consulting firms in accordance with its policies as follows: (a) AM-650 for Individual consultants; (b) GN-2765-4 and Guidelines OP 1155-4 for Consulting Firms for services of an intellectual nature; and (c) GN-2303-28 for logistics and other related services. The execution and disbursement period are expected to be 24 months.
- 5.2 In line with the Annex II of the Procedures for the Processing of Technical Cooperation Operations and Related Matters (OP-619-4), the Bank has demonstrated its ability to coordinate and motivate actions across diverse stakeholders at the national level. The IDB will engage directly with the Ministry of Finance, Economic Development, and Investment of Belize (MFEDI) to support digital transformation and institutional capacity building projects.

#### VI. Project Risks and Issues

- 6.1 A major risk is political commitment to implementing the recommendations developed under this TC. To mitigate as such, the project team will collaborate closely with the Working Group to co-collaborate and advance key reform measures. Another key mitigation factor is that the TC will support selected institutions to build a culture to become more competent and confident in employing digital technological innovation.

#### VII. Environmental and Social Classification

- 7.1 This TC will not finance feasibility or pre-feasibility studies of investment projects or associated environmental and social studies, which is why it does not have applicable requirements of the Bank's Environmental and Social Policy Framework (ESPF).