

TC ABSTRACT

I. Basic Project Data

▪ Country/Region:	REGIONAL/IDB
▪ TC Name:	Accelerating the Digitization of SMEs in Latin America and the Caribbean
▪ TC Number:	RG-T3902
▪ Team Leader/Members:	HENRIQUEZ LEBLANC, PAULINE (IFD/CTI) Team Leader; TORRICO DURAN, BLANCA PAOLA (IFD/CTI) Alternate Team Leader; SUAZNABAR, CLAUDIA (IFD/CTI); VARGAS CUEVAS, FERNANDO ESTEBAN (IFD/CTI); SOLIS AHUMADA, GALILEO HUMBERTO (IFD/CTI); VENTURA, JUAN PABLO (IFD/CTI); SIERRA LIRANZO, MAYRETT (IFD/CTI); MENDOZA BENAVENTE, HORACIO (LEG/SGO); CARRASCO, CAROLINA E.; PELAEZ ZAMBRANO, PAULA; ANTA, RAFAEL (IFD/CTI); CASABURI, GABRIEL (IFD/CTI); CATHLES, ALISON REGAN (IFD/CTI)
▪ Taxonomy:	Research and Dissemination
▪ Number and name of operation supported by the TC:	N/A
▪ Date of TC Abstract:	14 May 2021
▪ Beneficiary:	Países de América Latina y el Caribe miembros del Banco Interamericano de Desarrollo
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK
▪ IDB funding requested:	US\$270,000.00
▪ Local counterpart funding:	US\$0.00
▪ Disbursement period:	36 months
▪ Types of consultants:	Individuals; 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):	No
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Productivity and innovation ; Institutional capacity and rule of law

II. Objective and Justification

- 2.1 Generate knowledge to strengthen the capacities of public institutions such as Ministries and agencies of Economy, Production or Science and Technology, among others, to support the digital transformation of MSMEs. The specific objectives are: (i) to carry out a continuous improvement of the digital self-diagnosis tool "Chequeo Digital", and (ii) to generate evidence on the state of digital transformation of MSMEs in the region and on the impact of digital transformation on the competitiveness of MSMEs, taking advantage of the information provided by the tool, to better inform public policy efforts regarding the digital transformation of MSMEs.
- 2.2 Although the pandemic has highlighted the benefits of digital technologies and the importance of digital capabilities for the resilience and survival of firms, business adoption of these applications in Latin America and the Caribbean ("LAC") remains well below the adoption levels of advanced economies. The gaps are especially noticeable in the segment of micro, small and medium-sized enterprises ("MSMEs"). Currently, public policy efforts to support the digital transformation of MSMEs in the

region suffer from a significant lack of information on the digital situation of MSMEs, which hamper the design of effective policy interventions. Not all countries have ICT use surveys and, for those who do, in many cases they do not keep them adequately updated. In addition, there is a challenge of comparability of these data at the regional level, since they are built on different methodologies and questionnaires. The "Chequeo Digital" tool, created by the Competitiveness, Technology and Innovation Division ("CTI") is helping to close this information gap in the region. Chequeo Digital is a self-diagnostic tool that allows MSMEs to assess their level of digital maturity and understand the key concepts behind digitization and its benefits. Additionally, the tool provides MSMEs with customized recommendations to start or accelerate their digital transformation process. The tool was initially designed for the Ministry of Economy, Development and Tourism of Chile, where it was launched in October 2019 and is currently being implemented in a total of 14 countries. More than 6,100 diagnoses have been generated as of April 2021. By reaching a critical mass of MSMEs, the tool will generate valuable data on the state of digitization of that segment. However, this expansion of the tool would pose two specific challenges: (i) a continuous improvement of the tool is required as they are adaptive models that need to be updated at the speed of digital technologies diffusion, and in particular in reaction to exogenous shocks such as the Covid-19 pandemic, (ii) the increase of data generates a unique opportunity for knowledge creation, for which it is necessary to incorporate open access analysis tools that can facilitate the reading and use of data by the different countries to better focus public policy efforts according to the specific needs experienced by MSMEs locally.

III. Description of Activities and Outputs

- 3.1 **Component I: Improvement and dissemination of the "Chequeo Digital" tool (US \$ 160,000).** This component will mainly support efforts to improve the tool, both in terms of content and user experience. Continuous improvement will be sought based on quantitative studies, observations shared by the countries, review of international best practices, among others
- 3.2 **Component II: Diagnosis of the state of digitization of MSMEs and evidence on the productive impact of digital transformation (US \$ 110,000).** This component aims to generate evidence on the state of digital transformation of MSMEs in the region and on the impact of digital transformation on the competitiveness of MSMEs to better inform public policy efforts related to the digital transformation of MSMEs.

IV. Budget

Indicative Budget

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
Improvement and dissemination of the "Chequeo Digital" tool (US \$ 160,000)	US\$160,000.00	US\$0.00	US\$160,000.00
Diagnosis of the state of digitization of MSMEs and evidence on the productive impact of digital transformation (US \$ 110,000)	US\$110,000.00	US\$0.00	US\$110,000.00
Total	US\$270,000.00	US\$0.00	US\$270,000.00

V. Executing Agency and Execution Structure

- 5.1 IFD/CTI - Competitiveness, Technology and Innovation Division

- 5.2 In accordance with the taxonomy, regional scope and strategic objectives of this TC, and in accordance with Annex 2 of the Procedures for the Processing of Technical Cooperation Operations and Related Matters (OP-619-4), the executing agency of the TC will be the Inter-American Development Bank, through the Competitiveness, Technology and Innovation Division of the Institutions for Development Sector (IFD/CTI).

VI. Project Risks and Issues

- 6.1 The main risks faced by this TC are: (i) a low rate of responses from companies, preventing a representative analysis of opportunities to improve the tool, as well as of the state of digitization of MSMEs. This risk will be mitigated by: promoting the use of the tool as a gateway to local digital transformation support programs and greater collaboration with institutions with a high volume of interaction with MSMEs, such as financial institutions; (ii) a low participation and completion rate of MSMEs in the pilot projects. This risk will be mitigated by offering incentives to companies to complete the pilot project.

VII. Environmental and Social Classification

- 7.1 The ESG classification for this operation is "undefined".