

## TC Document

### I. Basic Information for TC

▪ Country/Region:	BELIZE
▪ TC Name:	Support to Economic Recovery through Trade and Investment in Belize
▪ TC Number:	BL-T1139
▪ Team Leader/Members:	Umana, Mario Alberto (INT/TIN) Team Leader; Balani, Hero Ranjit (CID/CBL); Esteves, Yasmin (INT/INT); Landazuri-Levey, Maria C. (LEG/SGO); Queila Delgado (INT/TIN); Rospide, Maria De La Paz (INT/TIN); Vasco Henao, Oscar Dario (INT/TIN)
▪ Taxonomy:	Operational Support
▪ Operation Supported by the TC:	BL-L1040.
▪ Date of TC Abstract authorization:	23 Jun 2021.
▪ Beneficiary:	Belize (Beltraide) and Customs& Excise Department
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	OC Strategic Development Program for Integration(RIN)
▪ IDB Funding Requested:	US\$150,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	24 months
▪ Required start date:	January 2022
▪ Types of consultants:	Individual and firms
▪ Prepared by Unit:	INT/TIN-Trade & Investment
▪ Unit of Disbursement Responsibility:	INT/INT-Integration and Trade Sector
▪ 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:	Economic integration; Productivity and innovation

### II. Description of the Associated Loan

- 2.1. The operation BL-L1040 Trade and Investment Facilitation Program, requested by the Government of Belize and currently under design, will be focused on trade and investment facilitation with a specific interest in Linkages Programs and Single Investment Window (SIW) plus the preliminary design of a Trade Single Window (SEW). This TC will support directly the preparation of the Program BL-L1040 with the three topics in two ways: (i) undertaking the institutional capacity assessment, identifying the beneficiary agencies for the loan and any remediation measures needed; and (ii) undertaking the preliminary phases of identification of key sectors, linkages gaps, mapping and drafting proposal of simplification of processes to create a SIW for the first two sectors with focus on the foreign investor's needs.

### III. Objectives and Justification of the TC

- 3.1 **The main objective** of this TC is to support the improvement of the Trade and Foreign Direct Investment ecosystem in Belize as a means to generate employment, growth, and diversify the economy. The specific objectives are to support the preparation of

the substantive issues to be address under BL-L1040 Trade and Investment Facilitation Program, by undertaking a readiness assessment for an Electronic Single Window for Trade, and initiating the preliminary phases of identification of sectors, linkages gaps, mapping and drafting proposal of simplification of processes, which will help to begin the implementation of a Linkages Program and a Single Investment Window to attract Foreign Direct Investment faster.

- 3.2 Trade facilitation has become a priority in the trade agenda of most countries after the Bali agreement under the WTO. Many countries in LAC have sought to implement electronic single windows to improve the competitiveness of its private sector while further strengthen regulatory controls. While Belize have been implementing ASYCUDA World for its Customs processes, the country will benefit from further development of a SEW with robust Risk Management capabilities.
- 3.3 The pandemic has heavily impacted the tourism sector in Belize with a 72% decline in arrivals in 2020. Tourism is a key sector representing 60% of foreign exchange earnings and 40% of GDP. Belize had a historic low 9% unemployment in 2019, increasing to 23.7% by the end of 2020.<sup>1</sup> The actual macroeconomic situation of Belize underlines the need for improving the engines of growth, including achieving higher flows of Foreign Direct Investment. Some of the main factors that undermine private investments in the country are: (i) the procedures and delays for starting a business; (ii) crime and corruption; and (iii) scarcity of technical-vocational training.<sup>2</sup>
- 3.4 Higher flows of FDI could help to break coordination failures by crowding in additional private investment in under-invested sectors or regions with economic potential. The implementation of a Single Investment Window can contribute to this goal, through accelerating time response and transparency in the processes of setting up businesses and investments. It can also have a faster and more direct impact in creating local employment, by focusing on strategic sectors, and encouraging new investments. At the same time, local linkages programs impact on increasing positive spillovers of FDI in the host country (jobs, indirect exports, knowledge transfer.), and facilitating the implementation process of investors.
- 3.5 The current administration has set up targets to improve and reintroduce private sector investment in Belize as a partner (public-private partnerships) and driver to untap Belize's economy potential. They have also identified the need to fast track approvals for strategic investments, including requiring regulatory authorities and departments to review and determine applications to achieve, by 2025, online access to 90% of government services<sup>3</sup>. The National Policy Investment Strategy is currently under review (NIPS). NIPS will establish a national framework that will guide both domestic and foreign investments, and holistically streamline the investment climate of Belize to promote more efficiency in the process.<sup>4</sup>
- 3.6 **Best practices:** Based in the experience of several LAC countries, modern SEWs are contributing to substantially lower time and cost in international trade of goods, improving the overall competitiveness of the private sector and its ability to adequately

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<sup>1</sup> IMF Datamapper April 2021.

<sup>2</sup> IMF [link](#).

<sup>3</sup> IMF Statemente Jun2, 2021 [link](#)

<sup>4</sup> Beltraide press realess [link](#)

connect with regional and global markets at competitive prices. Evidence<sup>5</sup> also indicates the preference for tailor-made approach for Investment Single Windows ("best fit") as it tends to offer better results than "best practices". This is because, in practice, the models are difficult to replicate from one country to another due to the strong differences in terms of political, economic, technical context or cultural factors. Given the characteristics of the implementation of a SIW in each region or country, there is no step-by-step or prescriptive procedure, but rather a guide of good practices, learnings and recommendations that serve as a reference for the successful and well-informed management of the creation of SIWs. Linkages programs interventions to connect foreign MNEs to local SMEs previously accredited as qualified suppliers have been successful in Costa Rica and Check Republic<sup>6</sup>, while Uruguay has gone forward creating community skills and smart talent platform to connect national skilled gender-based workforce to foreign companies looking to hire staff;<sup>7</sup> This TC will benefit from the application of those findings and good practices.

- 3.7 **Bank and Sector Knowledge:** There is knowledge generated through books and internal papers: Mauricio Mesquita y Ernesto Stein: "*De Promesas a Resultados en el Comercio Internacional*" (IDB 2019) on the need of implementing trade facilitation measures to improve trade performance; Margarita Libby, "Business Climate for Competitiveness in the Americas: Simplification of Procedures to Promote Competitiveness" (2011), [Link](#); Granados, Jaime, "Lessons learnt about Single International Trade Windows (VUCE)"(2015); Libby, Margarita "Reflections on good practices to create VUCEs and SIWs"(2021); and Piedra, Luis "Strategy for the creation of SIWs" (2021, soon to be published), as well as operative knowledge acquired through operations designing and implementing Single Trade Windows (VUCEs) in LAC and SIWs (CO-T1496, Support implementation of Exports of Services Policies and Trade Facilitation, EC-L1243, National System of Facilitation and Attraction of Investments, CR-L1146, Program of Economic Reactivation based on Employment and FDI)
- 3.8 **Lessons learned:** This TC will benefit from the lessons learned in BL-CC2005<sup>8</sup>: (i) Close work and coordination with a government counterpart that is willing and committed to take actions and absorb knowledge, (ii) the incorporation of private sector perspectives in the design; (iii) and execution of the project and an approach that is flexible enough to permit adjustments to changing conditions. These align with lessons learned in previous SEW, SIW and Export and FDI Linkages operations implemented in the region: (a) Asses readiness of various agencies involved in the implementation of a SEW to develop a smart asymmetric deployment of the technological tool, (b) Instead of pursuing a broad scope of investment procedures, two key sectors will be selected in order to be more strategic and efficient and have full sets of specific types of businesses implementation procedures analyzed, (c) alignment with national strategy in the selection of sectors to multiply the benefits, (d) selection of a "champion" to lead the process and bring consensus; (e) Information about local providers and talent is important, but needs to be strengthen with interventions of capacity building to move the local industry to the standards and specific skills that foreign investors

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<sup>5</sup> (INT/TIN) has carried out the study "Strategy for the creation of Single Investment Window in LAC", and the cases of Costa Rica, Nicaragua, Mexico, Dubai and Istanbul were studied

<sup>6</sup> The case of [CzechInvest](#) and [CINDE](#) suppliers platforms show how these initiatives increase the capability of local SMEs.

<sup>7</sup> Best practice: [Uruguay XXI](#).

<sup>8</sup> Compete Caribbean TC Strengthening the Institutional Architecture for Investment Attraction in Belize.

require in order to engage with local providers and talent. There are other lessons learned for the following stages of SIW and Linkages programs implementation that will be shared with Belize in the next phases that will be carried out by the operation BL-L1040 Trade and Investment Facilitation Program, (f) the development of a Single Electronic Windows for Trade should be done in close coordination with Customs and its current digital system, while observing the level of readiness of other agencies involved.

- 3.9 **Beneficiaries.** BELTRAIDE will be the main beneficiary agency, due to its mandate of assisting foreign direct investment in Belize through BelizeInvest and SBDC Belize to support SMEs. Customs & Excise Department will also benefit from the readiness assessment for the SEW. Furthermore, the TC will indirectly benefit other trade and investment agencies in Belize, including the Ministry of Foreign Affairs, Foreign Trade and Immigration, and the Ministry of Economic Development in its role of potential executing agency of the loan.
- 3.10 **Strategic Alignment.** This TC is aligned with the Update to the Institutional Strategy (AB-3190-2), with the challenges of Economic Integration, by supporting the digital capacities of the countries in fostering FDI and increasing their participation in regional and GVC, and supporting SMEs by analysis and modelling financial vehicles to foster innovation in the region; and with the cross-cutting area of Institutional Capacity and Rule of Law by strengthening the technical capacity of beneficiary countries in digital investment promotion matters. At the same time, it will contribute to the Corporate Results Framework 2020-2023 (GN-2727-12) Economic Integration indicator of "Foreign direct investment net inflows as percentage of GDP (%)". The TC is aligned with the Ordinary Capital Strategic Development Program for Integration (RIN) (GN-2819-1), with the objective of strengthen the Bank's borrowing member countries' capacities to engage in regional initiatives, by supporting the digital capacities and programs of the countries in fostering FDI and increasing their participation in regional and GVC. Also, with the trade facilitation and investment promotion priorities defined in the Integration and Trade Sector Framework Document (GN 2715-11). It is also aligned to the IDB Vision 2025 regarding the strength of regional integration through promotion of investment. Further alignment with IDB Country Strategy with Belize (GN-2746-3), with the trade and taxation policy priority sector, contributing to the strategic objective of fostering export-led growth and greater trade integration.

#### IV. Description of activities/components and budget

- 4.1 **Component 1. Readiness assessment for the Electronic Single Window for Trade (US\$20,000).** This component's objective is to identify the current developments of ASYCUDA World in Belize's Customs & Excise Department, and other trade related agencies. It will finance: (I) an analysis to determine the level of advance with the implementation of ASYCUDA World, and the level of readiness of other trade-related institutions for an Electronic Single Window for trade in goods. An individual consultant will be hired, and the analysis is expected to be carried out in a maximum period of five months.
- 4.2 **Component 2. Linkages Gap Analysis (US\$31,000).** Investment facilitation includes activities to foster linkages with local companies and talent. In order to identify which measures and activities can be implemented to achieve this objective, this TC will finance: (I) an analysis and assessment of sectors in which Belize has a clear competitive advantage, and establish sector order priority, using as criteria the

potential of investment attraction probability, job creation, local linkages readiness, and alignment with Government's new vision according to Belize's FDI strategy. At least 2 sectors will be selected, and a further assessment of existing gaps to facilitate linkages with local companies and talent will be undertaken. An individual consultant will be hired and a maximum period of six months to provide delivery is expected.

- 4.3 **Component 3. Design the Business Layer of the Single Investment Window (SIW) for key FDI sectors (US\$99,000).** This component's objective is to map the processes and have a preliminary draft of simplification for two key FDI sectors in Belize. After the selection of the key sectors is undertaken in the previous component, a firm will be selected to carry out, in a maximum period of twelve months, the following activities: (i) mapping of processes, procedures, institutions involved, and their degree of digitalization. (ii) Preliminary proposal of simplification/rationalization of processes; within this subcomponent, there will be proposed the incorporation of gender indicators (women shareholders, investors, workers, etc.). (iii) Dissemination of results to key players.
- 4.4 **Budget.** The total cost of this project is US\$150,000 to be financed by the Strategic Development Program for Integration (RIN).

#### Indicative Budget (in US\$)

Activity/Component	Description	IDB/RIN	Total Funding
<b>C1 Readiness assessment for VUCE</b>		<b>20,000.00</b>	<b>20,000.00</b>
Assessment of Customs System and digital readiness of other agencies	Status of ASYCUDA World Implementation and readiness of other trade-related agencies	20,000.00	20,000.00
<b>C2 Linkages Gap Analysis</b>		<b>31,000.00</b>	<b>31,000.00</b>
Analysis and assessment of gaps on priority FDI sectors for linkages	Analysis of sectors in which Belize has competitive advantage, and establish order priority, using criteria of potential investment attraction, job creation, and local linkages. Select sectors (at least 2) to assess existing gaps for linkages among MNEs with local companies and talent.	31,000.00	31,000.00
<b>C3 Design Business Layer Single Investment Window (SIW)</b>		<b>99,000.00</b>	<b>99,000.00</b>
Mapping of 2 sectors procedures to set up investment	Mapping of processes, procedures, institutions involved, and their degree of digitalization.	50,000.00	50,000.00
Preliminary simplification proposals of the 2 sectors mapped.	Preliminary proposal of simplification/rationalization of processes	46,000.00	46,000.00
Dissemination of findings Webinar	Dissemination of results to key players.	3,000.00	3,000.00
<b>Total</b>		<b>150,000.00</b>	<b>150,000.00</b>

- 4.5 **Supervision** of the TC will be carried out by INT/TIN Lead Trade Specialist, Mario Umaña, from IDB headquarters in Washington DC. He will coordinate with Belize Country Office; Hero Balani has been designated the focal point in COF, and the beneficiary agency BELTRAIDE.
- 4.6 The **monitoring** system of this TC will be carried out by the sector specialist through regular follow up meetings, every two weeks, with the consultants hired to deploy the outputs and the beneficiary agency. Deliveries will require the IDB approval before payment. Final report will be shared in a web seminar presentation with the key stakeholders.

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

- 5.1 The Bank will execute this TC through INT/TIN in coordination with the Belize Country Office, and BELTRAIDE as the Belizean counterpart and main beneficiary of the outputs of this TC. Project output indicators will be monitored very closely.
- 5.2 The Bank will execute this TC due to the following reasons: (i) previous experience and knowledge on the part of the IDB in implementing project(s) similar to this proposed operation<sup>9</sup>; and (ii) weak institutional capacity of the beneficiary institutions in Belize. Therefore, the experience gathered by the Bank in other countries and lessons learned will assist in these initial phases while transferring the knowledge to BELTRAIDE. These justifications are aligned with Annex II of the Procedures for the Processing of Technical Cooperation Operations and Related Matters (OP-619-4).
- 5.3 The execution and disbursement period will be 24 months and the UDR will be in the Integration and Trade Sector (INT/INT). All activities to be executed under this TC will be contracted in accordance with Bank 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.

## **VI. Major issues**

- 6.1 The Covid-19 crisis has greatly increased the urgency for digital transformation as a requirement to avoid physical contact. However, the lack of integrated systems within the Government, as well as issues with data sharing, could create challenges for a full virtual SIW. The digital readiness of the institutions involved will be assessed, and a mixed solution (part virtual and part physical) could be proposed, if needed to counter this risk.

## **VII. Exceptions to Bank policy**

- 7.1 The project does not contemplate any exceptions to Bank policy.

## **VIII. Environmental and Social Strategy**

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<sup>9</sup> Some examples of INT/TIN operations with Single Investment Windows: CO-T1496, EC-L1243, CR-L1146.

- 8.1 This Technical Cooperation is not intended to finance pre-feasibility or feasibility studies of specific investment projects or environmental and social studies associated with them; therefore, this TC does not have applicable requirements of the Banks Environmental and Social Policy Framework (ESPF).

**IX. Required Annexes:**

[Request from the Client - BL-T1139](#)

[Results Matrix - BL-T1139](#)

[Terms of Reference - BL-T1139](#)

[Procurement Plan - BL-T1139](#)