

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

BELIZE

**MARKET INTEGRATION OF POTENTIAL DEFORESTATION FREE VALUE CHAINS IN
SUSTAINABLE AND INCLUSIVE BELIZE PROJECT**

(BL-G1011)

PROJECT DOCUMENT

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MARKET INTEGRATION OF POTENTIAL DEFORESTATION FREE VALUE CHAINS IN SUSTAINABLE AND INCLUSIVE BELIZE PROJECT		
BL-G1011		
PROJECT SUMMARY		
Operation Type:	Investment Grants	
Sector:	AGRICULTURE AND RURAL DEVELOPMENT	
Subsector:	SUSTAINABLE AGRICULTURAL DEVELOPMENT	
TC Taxonomy:	N/A	
Project Number under the Operational Support Taxonomy:	N/A	
Technical Responsible Unit:	PTI/ARD-Agriculture and Rural Development Division	
Unit with Disbursement Responsibility (UDR):	CID/CBL-Country Office Belize	
Executing Agency:	Ministry Of Finance, Investment And Economic Transformation,	
PROJECT OBJECTIVE		
Contribute to the competitiveness, climate resilience and environmental sustainability of potential deforestation-free value chains by integrating them into public protocols and market strategies.		
FINANCIAL INFORMATION		
Financing Type	Fund	Amount in US\$
GRT - Grant	PSC - Project Specific Contribution Account	1,425,000
Total IDB Financing		1,425,000
Counterpart Financing		0
Total Project Budget		1,425,000
Donors:	N/A	
Disbursement Period:	36 months	
Execution Period:	36 months	
ADDITIONAL FINANCIAL INFORMATION		
The funds of this project will be administered by the IDB through a Project-Specific Grant (PSG). The Ministry of Environment and Energy Security of the Italian Republic (MASE) will contribute US\$ 1,500,000. Out of this contribution, US\$ 75,000 will be set aside as a 5% administration fee. The remaining contribution of US\$ 1,425,000 corresponds to the project amount as indicated in the Basic Information above.		

I. JUSTIFICATION AND OBJECTIVE

- I.1 **Diagnostic**¹. Agriculture is a cornerstone of Belize's economy and rural livelihoods, employing thousands of smallholder farmers and MSMEs. In 2019, the sector accounted for more than 10% of GDP, 16.8% of total employment, and 93% of goods exports—of which 70% were driven by MSMEs. Agriculture contributes significantly to food security and poverty reduction, particularly in rural areas where poverty rates reach 59%. Most of Belize's 19,000 farmers are small to medium-sized landholders. However, the sector faces important challenges that undermine its competitiveness and long-term sustainability.
- I.2 Some of the most significant competitiveness challenges affecting the agricultural sector include: (i) high post-harvest losses, estimated at up to 35–40% of production, due to limited storage capacity—only 2% of harvested crops are stored—and the absence of processing strategies to add value, with only 1.7% of farmers engaged in agro-processing- (Praxy5, 2021); (ii) low export diversification, with exports concentrated in a small number of commodities—sugar, bananas, and citrus account for 86% of total agricultural exports (MAFSE, 2022)—produced mainly by large farmers, generating limited value added and exposing the sector to high price volatility (Foster et al., 2017; IDB, 2020); and (iii) low compliance with market standards, as farmers face growing difficulties meeting the increasingly sophisticated demands of domestic buyers, including the tourism industry, where most food continues to be imported.
- I.3 The agricultural sector in Belize is also highly vulnerable to climate and environmental risks. The country reported agricultural losses of approximately US\$1.9 million in 2018 due to flooding and US\$38.5 million in 2019 as a result of severe drought. Climate change projection models indicate that suitable agricultural areas and yields (e.g., basic grains, sugarcane, fruits, and cacao) will be significantly reduced. These negative impacts position Belize among the most climate affected countries in the Latin America and the Caribbean (LAC) region.
- I.4 These challenges are compounded by evolving international market requirements—most notably the European Union Deforestation Regulation (EUDR), which aims to minimize deforestation and forest degradation associated with agricultural raw materials entering the EU market. Compliance with such regulations requires the adoption of adaptive strategies, improved monitoring and traceability systems, and sustainable production practices to maintain market access and safeguard long-term sector viability.
- I.5 **Problem**². The agricultural sector in Belize is characterized by low productivity, high exposure to climate shocks, and limited integration into sustainable global value chains. Smallholder farmers and MSMEs lack the technical, financial, and institutional capacity to adopt climate smart- and nature positive- practices or to comply with international sustainability and market standards. As a result, they

¹ BL-L1041& BL-J0003 -Loan and Non-reimbursable Financing Proposal; OEL#3 Design Agricultural Sector.

² BL-L1041& BL-J0003 -Loan and Non-reimbursable Financing Proposal; OEL#3 Design Agricultural Sector.

- face barriers to accessing premium markets, reducing income opportunities, and constraining efforts to promote inclusive and sustainable growth.
- I.6 In this context, many barriers hinder the adoption of innovative, green, climate-smart agricultural practices and technologies by agricultural MSMEs and farmers' organizations, as well as their access to sustainable market opportunities. These includes:
- a) Low Competitiveness and Productivity: i) Fragmented value chains and integration of smallholder farmers; ii) Limited access to finance for upgrading production and processing; iii) High post-harvest losses due to inadequate storage and processing facilities.
 - b) High Vulnerability to Climate Change: i) Increased frequency of floods, droughts, and hurricanes; ii) Limited adoption of climate-smart and agroforestry practices.
 - c) Market Access Barriers: i) Lack of knowledge and compliance systems for international sustainable markets, e.g. EUDR (traceability, geolocation, ESG risk assessments); ii) Absence of certification schemes and product differentiation strategies; iii) Limited knowledge among farmers organizations and MSMEs of international market requirements.
- I.7 In this connection, the European Union Deforestation Regulation (Regulation EU 2023/1115, EUDR) establishes, among other provisions, specific standards for products such as cacao, with the objective of minimizing deforestation and forest degradation linked to agricultural commodities entering the EU market. The regulation forms part of the EU Biodiversity Strategy to 2030. Under the EUDR, any operator or trader placing these raw materials on the EU market—or exporting them from it—must demonstrate that the products do not originate from recently deforested land and have not contributed to forest degradation.
- I.8 The *Sustainable and Inclusive Belize* (SAIB) Project (BL--L1041), implemented by the Ministry of Economic Transformation and the Ministry of Agriculture, Food Security and Enterprise (MAFSE), addresses some of these barriers by promoting profitable, environmentally sustainable, and climate resilient- farming systems. This PSG will specially focus on competitiveness and market barriers (as described in 1.6).
- I.9 There is a unique opportunity for complementarity by leveraging knowledge and scaling up the innovations and best practices expected under the BL-L1041 Project, which is at the intermediate evaluation stage. The PSG will complement through financing business plan implementation for farmer organizations, cooperatives, and MSMEs engaged in cacao and other agroforestry crops, strengthening technical capacities, and advancing the development of a roadmap for compliance systems aligned with international market requirements (including the EUDR).
- I.10 **Request.** The Government of Belize, through the Ministry of Finance, Investment, Economic Transformation, Civil Aviation & E-Governance, has requested the IDB to act as the fiduciary agency for this Project Specific Grant, financed by the Italian

Ministry of Environment and Energy Security (MASE). The grant aims to complement, scale up, and leverage the best practices and innovations of the ongoing SAIB Project (BL-L1041)

- I.11 **Objective.** The project's specific objective is to contribute to the competitiveness, climate resilience, and environmental sustainability of the agricultural sector through the inclusion of deforestation-free value chains into public protocols and market strategies.
- I.12 Through funding provided by MASE, the project will support forest protection by promoting the cultivation of cacao and other potential agroforestry crops in Belize. Additionally, the project will strengthen the value chains of these commodities through access to deforestation free- markets, enhance capacities for resilient and competitive agricultural practices, and support the establishment of certification mechanisms for cacao and related products for both local and international markets.
- I.13 **Additionality.** This proposal complements the SAIB Project (BL-L1041) , implemented by the Ministry of Economic Transformation and the Ministry of Agriculture, Food Security and Enterprise (MAFSE).
- I.14 The SAIB Project addresses key competitiveness, climate, and environmental challenges in the agricultural sector by promoting profitable, environmentally sustainable, and climate-resilient- farming systems. It aims to improve the competitiveness, sustainability, and resilience of small producers, farmer groups, and MSMEs in the agriculture and tourism sectors by providing technical assistance for the development of Green Agri-Business Plans (GABPs).
- I.15 This Project Specific Grant (PSG) enables the leveraging and scaling up of the knowledge, innovations, and best practices experienced in other IDB-financed projects and promoted under SAIB's agriculture component These specific lessons learned are summarized in:
- Liquidity restrictions: Liquidity constraints limit the adoption of agricultural technologies and tourism investments with environmental and climate benefits. The operation will provide non-reimbursable financial support through matching-grants that aim to finance climate-smart and environmentally friendly technologies and investments in the agriculture and tourism sectors.
 - Cultural adequacy and gender approach: To guarantee the wide participation of the target group, mass communication campaigns should be conducted using appropriate language to avoid exclusion of eligible beneficiaries. Likewise, specific strategies must be designed to guarantee the participation of women and vulnerable populations. The project's technical content and methodologies will consider specific adjustments to meet women, indigenous people, afro descendant, and migrants' specific constraints within agroforestry-based value chain.

- I.16 It will cofinance the implementation of Green AgriBusiness Plans for farmer organizations, cooperatives, and MSMEs engaged in cacao and other agroforestry-based products with potential for integration into zero deforestation markets.
- I.17 The project will focus specifically on strengthening deforestation free- agroforestry value chains—starting with cacao—by enhancing processing capacities, promoting trade with companies that incorporate sustainability and deforestation free- principles into their market strategies, and fostering partnerships and knowledge exchange with certified European firms.
- I.18 **Strategic Alignment.** This PSG is consistent with the IDB Group Institutional Strategy: Transformation for Greater Scale and Impact (CA-631) and aligns with the objectives of: (i) reducing poverty and inequality; (ii) addressing climate change; and (iii) promoting sustainable regional growth; as well as with the following operational focus areas: (i) biodiversity, natural capital, and climate action; (ii) gender equality and inclusion of diverse population groups; (iii) institutional capacity, rule of law, and citizen security; and (v) productive development and innovation through the private sector.
- I.19 It is aligned with Pillar 3 “Boosting Private Sector Competitiveness” of the Country Strategy with Belize 2026-2030 (GN-3320) and is included in the 2026 Country Program Document. It is consistent with the Sector Frameworks for: Agriculture (GN-2709-16); Environment and Biodiversity (GN-2827-8); Climate Change (GN-2835-13); Gender and Diversity (GN-2800-13).
- I.20 At the Bank level, efforts to strengthen agroforestry-based- value chains in Belize contribute to one of the key pillars of the facility under preparation—the Central American Sustainable Agrolandscapes Program—which supports the implementation of the regional initiative *America in the Center*. In this regard, this PSG is aligned with the *America in the Center* regional program, particularly under Pillar 1: Productivity and Economic Integration, within the thematic area “Support for participation in value chains.” Additionally, the modern agricultural knowledge and innovation systems will contribute to scaling up sustainable productive practices that meet the growing socio-environmental requirements of international trade (such as those under the European Union’s Zero Deforestation Regulation), thereby supporting participation in global value chains.
- I.21 This project will be financed by the Ministry of Environment and Energy Security of the Italian Republic (MASE). MASE has signed a Memorandum of Understanding (MoU) on Cooperation for Sustainable Development with CARICOM Member States, including the Government of Belize. This partnership promotes sustainability and climate resilience in the region and includes support for climate smart- agriculture and the strengthening of agroforestry value chains.

II. COMPONENTS

- 2.1 **Component 1: Support to MSMEs and Farmers Organizations for sustainable and inclusive development. (US\$720,000)** This component focuses on strengthening capacities for more resilient and competitive agricultural activities. It

supports producer groups in implementing good agricultural and organizational practices, generating added value, and promoting commercialization and market access

- 2.2 The SAIB Project is supporting the development, financing, and implementation of GABPs, which promote the adoption of climate smart agriculture and nature positive technologies and practices. The GABPs include investments aimed at improving market access with an emphasis on environmental sustainability and climate resilience, including: (i) storage; (ii) processing; (iii) transportation; (iv) market intelligence;(v) compliance with formal requirements (registrations and legal certifications); (vi) certifications (e.g., environmental, fair trade, etc.).
- 2.3 This PSG will build on the work of the SAIB Project by selecting GAPBPs that were not financed under BL-L1041 and strengthening and financing those related to cacao and other agroforestry-based crops with potential for integration into deforestation free markets. As a result, 20 MSMEs and farmers' organizations (6 MSMEs and 14 farmers' organizations) will receive financing to implement their GABPs. To achieve this, the PSG will follow the eligibility and qualification criteria, as well as the matching grant implementation mechanism, already established under BL-L1041.
- 2.4 **Component 2: Linking Deforestation-Free Cacao and other agroforestry-based Chains with specialized export Markets. (US\$596,400).** This component will focus on supporting the integration of deforestation free cacao value chains within agroforestry systems, promoting trade with companies that incorporate these sustainability principles into their market strategies, and fostering partnerships and best practices with certified companies.
- 2.5 The project will support farmers' organizations, cooperatives, and MSMEs in preparing to comply with zero deforestation- regulations for cacao, differentiating their products, and accessing niche markets through market research and integration of certified small producers into established value chains (anchor companies). In addition, the project will assess opportunities for certified companies to engage in knowledge sharing and technology transfer with Belizean agroforestry based- enterprises and sector stakeholders.
- 2.6 This component will support: (i) a supply chain study to identify the potential for Belizean cacao and other agroforestry-based- crops to link with international (EU) markets; (ii) market studies and field visits, including product assessments and quality verification; (iii) capacity building for sustainability, including training for farmers' organizations and MSMEs on production, manufacturing, market opportunities, and compliance with EUDR regulatory standards; (iv) an analytical study to define the sensory and technical profile of Belizean cacao and outline a certification pathway (e.g., exploring the potential for a Protected Geographical Indication or other certifications), as well as the development of a Price Payment Formula to promote fair pricing and equitable market relationships; (v) a feasibility study for the establishment of modular processing units for cacao manufacturing and/or recommendations for strengthening existing processing capacity; (vi) strengthening national efforts for deforestation-free traceability, including the improvement of data systems supporting farmer geolocation and registries, enabling EUDR- compliant- data collection and monitoring.

2.7

2.8 **Beneficiaries.** This project will benefit 20 agricultural businesses—14 farmers’ organizations and 6 MSMEs—participating in cacao and other agroforestry based value chains with potential for integration into -deforestation free markets. These organizations represent- approximately 163 small producers, who are members of farmers’ organizations and MSMEs, of whom 20% are women. Training and capacity building activities will directly benefit- these 163 farmers and, additionally, other stakeholders across the value chains.

III. BUDGET

3.1 **Budget.** The Ministry of Environment and Energy Security of the Italian Republic (MASE) expects to commit US\$ 1,425,000 to this project.

3.2 Resources for this project are to be received from MASE through a PSG. A PSG is administered by the Bank according to the Report on COFABS, Ad-Hocs and CLFGS and a Proposal to Unify Them as Project Specific Grants (PSGs) (Document SC-114). As contemplated by these procedures, the commitment by MASE will be established through a separate Administration Agreement. Under such agreement, the resources for this project will be administered by the Bank.

Indicative Budget (US\$)

Components*	Source: PSC	Total
Component 1: Support to MSMEs and Farmers Organizations for sustainable and inclusive development.	720,000	720,000
Component 2: Linking Deforestation-Free Cacao and other agroforestry-based Chains with specialized export Markets.	596,400	596,400
Direct operating expenses	108,600	108,600
Total	1,425,000	1,425,000

**The costs per activity within each component are indicative.*

IV. EXECUTION STRUCTURE

4.1 **The Beneficiary as Executing Agency.** The Executing Agency (EA) for this PSG will be the Ministry of Finance, Economic Development and Investment (MFEDI), through its Central Executing Unit (CEU). The BL-L1041 Executing Unit in the CEU has overall responsibility for project implementation and will coordinate closely with the Ministry of Agriculture, Food Security and Enterprise (MAFSE) the technical aspects. The BL-L1041 Executing Unit consists of a Project Coordinator, supported by procurement, financial management, M&E, and social and environmental safeguard specialists within the CEU structure. This MFEDI Executing Unit will be complemented by a value chain expert and Project

Coordinator, who will be responsible for managing the PSG (including planning, monitoring and evaluation, and reporting) and ensuring achievement of results. During implementation, the Bank's technical team, in coordination with the Executing Unit, will manage communication and visibility actions for this PSG in coordination with the MASE team.

- 4.2 BL-L1041 Executing Unit within the CEU has overall responsibility for project implementation and will coordinate closely with the Ministry of Agriculture, Food Security and Enterprise (MAFSE) on technical aspects. This Executing Unit will be complemented by a value chain expert and Project Coordinator, who will be responsible for managing the PSG—including planning, monitoring and evaluation, and reporting—and ensuring the achievement of project results. During implementation, the Bank's technical team, in coordination with the Executing Unit, will manage communication and visibility actions for this PSG in collaboration with the MASE team-chain expert and Project Coordinator, who will be responsible for managing the PSG—including planning, monitoring and evaluation, and reporting—and ensuring the achievement **Conditions Prior to First Disbursement**. Given the synergies with the BL-L1041 Project, before the first disbursement of IGR resources it will be required: (i) to have the candidate for value chain expert & PSG coordinator selected from a competitive process, and (ii) the planning for the first year of implementation developed and in alignment to BL-L1041.
- 4.3 **Procurement.** All procurement to be executed under this Technical Cooperation have been included in the Procurement Plan (Annex IV) and will be executed in accordance with the applicable policies and procedures for the Policies for the Procurement of Goods and Works Financed by the IDB (GN-2349-15) and the Policies for the Selection and Contracting of Consultants Financed by the IDB (GN-2350-15).
- 4.4 **Execution and Disbursement Period.** The project execution and disbursement period will be 36 months.
- 4.5 **Advance of Funds.** The main method of disbursements will be through advances based on the project's actual liquidity needs. These advances will preferably be made on a semi-annual basis and will be conditional upon the accounting of at least 80% of the previously advanced amount. To support this accounting, the submission of the corresponding forms and the financial planning spreadsheet will be required. In addition, the review of the documentation will be carried out ex-ante.
- 4.6 **Monitoring, Reporting, and Supervision.** The Executing Unit, in coordination with the CEU and MAFSE, will prepare and send the Bank annual progress reports no later than 15 days after the end of the fiscal year during the implementation of the IGR. These reports will follow the agreed-upon format for submission to MASE and will indicate the level of physical and financial progress of the indicators and activities in the Results Matrix and Procurement Plan (PP), analyzing any problems encountered and presenting corrective measures to address them. The project team leader will be responsible for reporting and updating in the IDB Technical Cooperation Monitoring and Reporting System (TCM).

- 4.7 Additionally, the PSG monitoring and reporting will be aligned to the BL-L1041 M&E strategy to identify the grant contributions and lessons that guide the design of similar operations.
- 4.8 **Reporting to Donors.** The project team will be responsible for the preparation and submission, to the donor of the project reporting, in compliance with the stipulations of the Administration Agreement.

V. POTENTIAL RISKS

- 5.1 **Institutional Capacity and Operational Risks.** Project implementation will be integrated and coordinated within the MFEDI Central Executing Unit, which also houses and is responsible for the implementation of BL-L1041, thereby ensuring alignment and an integrated approach between both operations. This structure will be strengthened through the incorporation into the project team of an expert in agricultural value chains, who will be responsible for managing and coordinating the PSG activities. MAFSE possesses the required technical capacities and will continue to provide support through the mechanisms already in place.
- 5.2 For the market information and value chain component, specialized consultants/firms will be hired to support value chain analysis, market opportunity assessments, and capacity building related to international market regulations and quality compliance. They will also assist in promoting market linkages with European enterprises. These experts will support the Executing Unit (EU) during at least the first year following grant approval, helping to expedite eligibility processes, prepare priority bidding documents, and accelerate the Executing Unit's learning curve.

VI. EXCEPTIONS TO BANK POLICIES

- 6.1 The execution of the PSG shall be carried out in full compliance with all applicable Bank policies, with no exceptions.

VII. ENVIRONMENTAL AND SOCIAL ASPECTS

- 7.1 According to the Bank's Environmental and Social Policy Frame, the operation is classified as category B, as it is related to the BL-L1041 operation which has category B classification. As part of the preparation of the BL-L1041 an Environmental and Social Assessment and Environmental and Social Management Plan (ESA/ESMP) was created to manage the risks and impacts of the operation. This ESA/ESMP applies to this grant.
- 7.2 The project's ESRR is classified as substantial due to the cause, context and performance risks. The disaster risk is assessed as moderate. This rating is consistent with the main operation, BL-L1041. While the direct environmental and social risks of BL-L1041 are considered low to moderate, there are potential indirect risks, including deforestation, overexploitation of natural resources,

degradation of natural habitats, and possible contribution to discriminatory industry practices. Additional risks include potential land disputes involving Indigenous Peoples' territories or protected areas, social tensions affecting migrant groups, low levels of trust in government institutions, and illegal cross-border trade. Disaster risk remains Moderate given Belize's vulnerability to drought and water scarcity, sea level rise associated with climate change, and exposure to earthquake and tsunami hazards. The BL-L1041 is currently being implemented and has ESG support. During the last supervision mission (May 2025) the operation received a SPR of Partially Satisfactory. This rating reflects gaps in documentation related to ongoing stakeholder engagement, community health and safety measures, environmental and social compliance reporting, and implementation of the grievance redress mechanism. This grant will further support the PIU especially with stakeholder engagement and community health and safety.

- 7.3 The only activity that may require an update to the ESA/ESMP is the potential installation of a modular processing unit to transform raw cacao into semi-finished products that is part of Component 2, which will be based on the results of the feasibility study. To help manage the risk additional clauses in the contract and the ESAP for the grant will include the need to develop an ESA/ESMP for this work and that the work will not include resettlement or activities in protected areas.

REQUIRED ANNEXES:

- Annex I: Request from Client
- Annex II: Results Matrix
- Annex III: Terms of Reference
- Annex IV: Procurement Plan

Optional Electronic Link:

[OEL#1 – Summary of the Budget](#)