

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

BELIZE

DIGITAL INNOVATION TO BOOST ECONOMIC DEVELOPMENT IN BELIZE

BL-L1039

PROJECT PROFILE

This document was prepared by the project team consisting of: Kayla Grant, Project Team Leader (IFD/CTI); Maria Ines Vasquez Rossi (IFD/ICS); Edgar Salgado; Gina Stefany Cardenas; Claudia Suaznabar; Galileo Solis; Sylvia Dohnert; Pauline Henriquez; Mayrett Sierra (IFD/CTI); Arturo Miente (IFD/ICS); Nidia Hidalgo (SCL/GDI); Brodrick Watson; Christian Lunstedt (VPC/FMP); Henry Wade (DIS/CBL); Anthony Linsford (INO/SMC); Aurelie Gilles; Maria Cecilia Deza (CID/CID); Alexis Bryant; Hero Balani (CID/CBL); Maria Paula Gerardino Gutierrez (SPD/SDV); Alvaro Sanmartin (LEG/SGO).

Under the Access to Information Policy, this document is subject to Public Disclosure.

PROJECT PROFILE

BELIZE

I. BASIC DATA

| | | | |
|--------------------------|---|--|---------------|
| Project Name: | Digital Innovation to Boost Economic Development in Belize | | |
| Project Number: | BL-L1039 | | |
| Project Team: | Kayla Grant, Team Leader (IFD/CTI); Maria Ines Vasquez Rossi, Alternate Team Leader (IFD/ICS); Edgar Salgado; Gina Stefany Cardenas; Claudia Suaznabar; Galileo Solis; Sylvia Dohnert; Pauline Henriquez; Mayrett Sierra (IFD/CTI); Arturo Muelle (IFD/ICS); Nidia Hidalgo (SCL/GDI); Brodrick Watson; Christian Lunstedt (VPC/FMP); Henry Wade (DIS/CBL); Anthony Linsford (INO/SMC); Aurelie Gilles; Maria Cecilia Deza (CID/CID); Alexis Bryant; Hero Balani (CID/CBL); Maria Paula Gerardino Gutierrez (SPD/SDV); Alvaro Sanmartin (LEG/SGO). | | |
| Borrower: | Belize | | |
| Executing Agency: | Ministry of Finance, Economic Development and Investment (MFEDI) | | |
| Financial Plan: | IDB (OC): | US\$ | 10,000,000.00 |
| | Total: | US\$ | 10,000,000.00 |
| Safeguards: | Policies triggered: | Environmental and Social Policy Framework (ESPS) | |
| | Classification: | C | |

II. GENERAL JUSTIFICATION AND OBJECTIVES

- 2.1 **Background.** The COVID-19 pandemic significantly impacted the Belizean economy. Economic growth contracted by 16.7% in 2020 and despite positive economic growth estimates for 2021¹, structural concerns remain. GDP growth was 1.8% a year on average in the period 2013-2017, with a slight increase of growth to 2.9% in 2018, followed by a return to 1.8% in 2019. The small open-economy remains heavily dependent on tourism-related services and the export of agricultural and marine products mainly to US markets. Both industries were hard hit by the pandemic and face challenges in returning to pre-pandemic levels. Belize was the only country in Central America to register a decline in the real GDP per capita in the last decade. Average per capita income declined by 0.9% a year in the period 2010-2019, compared to average growth of 4.9% witnessed in the Central American region and 1.1% in the Caribbean region. Belize's 2018 poverty assessment found that the poverty rate rose from 41% (in 2009) to 52%.

¹ Recent real GDP growth estimates for 2022 were 9.8% (Statistical Institute of Belize) and 12.5% (International Monetary Fund).

- 2.2 **Challenges.** Post-COVID-19 economic recovery and sustained growth requires a focus on improving the innovation and productivity levels of Micro, Small and Medium Enterprises (MSMEs²). Innovation is a crucial factor for impacting firm level growth and productivity which in turn contributes to a country's economic growth. In today's digital age, firms must innovate to compete and grow, and they require an adequate entrepreneurship and innovation eco-system for doing so. Between 2016 and 2020, the proportion of Belizean firms reporting innovation activities increased from 7% to 11%. However, among the 13 countries surveyed by IFPG, Belize ranks 10th compared to top performers such as Antigua and Barbuda (44%) or the Caribbean average of 24% Belize ranked 102 (at an index of 29.8) out of 142 countries in the Global Innovation Index (GII), the most recent available indicator on innovation in Belize.
- 2.3 Productivity, an important input for long term economic growth, continues to decline.³ The average firm productivity (measured as sales per worker) in 2016 was BZD\$21k per worker⁴. Compared to the group of large firms, MSMEs are considerably less productive, revealing severe productivity gaps by firm size. Micro firms are 65% less productive than large firms, small firms are 84% less productive, while medium firms are 44% less productive compared to large firms. Data from the IFPG survey from 2020, though it does not sample the group of micro firms, confirms the same productivity gaps for small and medium firms with respect to large firms. Small Belizean firms are 100% less productive than large firms, while medium firms exhibit an even larger gap of 113% with respect to large firms. Among the 13 countries surveyed by IFPG, Belize ranks 5th as the country with the largest productivity gap between small and large firms.
- 2.4 Well over 90% of Belize's private sector is considered an MSME. The share of micro⁵ firms jumped from 76% in 2016 to 85% in 2020, reflecting the impact of the pandemic in terms of the distribution of micro, small, medium, and large firms. MSMEs generate over 70% of private sector employment and incomes. MSMEs, especially micro and small firms and women-led firms⁶, operate in a complex, challenging innovation and business climate. Starting a business is costly and complex.⁷ Informality continues to be a challenge, with 69% of Belizean firms

² In Belize, MSMEs are defined under the following categories: micro (less than 5 employees, less than BZD\$100k in annual sales, and less than 50k in investment); small (5-19 employees, less than BZD\$500k in annual sales, less than 150k in investment, and manufacturing space less than 4004 sq ft); and medium (20-50 employees, less than BZD\$1.5 million in annual sales, less than BZD500k in investment, and less than 5995 sq ft of manufacturing space).

³ Belize's labor productivity (measured by ILO as GDP per hour worked [GDP constant 2017 international \$ at PPP] as of November 2021) was \$7.70 compared to leading countries, such as Luxembourg at \$128.21. Output per worker in Belize (GDP constant 2017 international \$ at PPP) declined from \$19,938 in 2010 to \$16,185 in 2021. The prior is compared to a world average of \$40,556 in 2021.

⁴ Based on 2016 Enterprise Surveys in Belize.

⁵ Although the legal definition includes additionally the sales criteria, where micro firms should also report sales less than BZD\$100k, small firms should report sales smaller than BZD\$500k and medium firms report sales smaller than BZD\$1.5M, we use only the employment classification for the sake of comparison between 2016 and 2020 enterprise surveys. The 2020 version of the enterprise survey did not gather sales information.

⁶ Following the Women Entrepreneurs Finance Initiative (We-Fi) definition, women-owned firms are classified as those where ≥51% of the firm is owned by a woman/women; or ≥20% of the firm is owned by a woman/women, and at least 1 woman as CEO/COO (President/Vice-President) and have ≥30% of the board of directors comprised of women, where a board exists.

⁷ Belize's 2020 Doing Business rank for starting a business, was 166th (a decrease from 161st out of 190 economies in 2018) taking 48 days (an increase from 43 days in 2018), consisting of 9 procedures, and costing 34.3% of income per capita.

indicating facing unfair competition practices compared to a regional average of 58%.⁸

- 2.5 **MSME low adoption of digital technologies.**⁹ Evidence demonstrates that digital technology drives innovation¹⁰ and improves business performance in terms of sales, employment, and productivity. Belizean MSMEs are relatively less prepared for the digital age than their counterparts in Latin America and the Caribbean (LAC).¹¹ Innovation with digital technologies is limited in Belize, only 1.6% of firms in the sample reported that their enterprises introduced methods for information processing and communication during the three years prior to the survey.
- 2.6 To improve the state of digital maturity of firms (initial, beginner, competent, advanced, and expert), the process of digital transformation is required. Digital transformation typically entails a move from digital inclusion (basic use of Information Communication Technology (ICT)) to digital development (actively using digital technologies) and finally to digital innovation¹² (operating at the technological frontier). Yet there are a series of obstacles that limit adoption of digital technology by firms, these include:¹³ (i) the firm's lack of knowledge about the technologies available that can improve productivity and competitiveness (information asymmetry); (ii) limited connectivity, especially in rural areas of Belize and by clients in lower socio economic situations; (iii) limited capacity and human capital with advanced digital skills to adopt and deploy digital technologies and basic digital skills to adopt new technologies; (iv) limited access to finance for investing in digital technologies and human capital; (v) an incipient ICT sector that offers limited services locally; and (vi) a regulatory framework that does not keep up with the speed of digital change and which impedes the process of developing, testing and adopting new technological applications. This program proposes activities to address all gaps.
- 2.7 **Fragmented implementation of digital government services.** Implementation of digital government in Belize has been slow and fragmented resulting in high government transactions costs for MSMEs. An analysis conducted by the Central Information Technology Office (CITO) in 2018 found that of 141 government services reviewed, 86 have application forms that are downloadable on websites, 44 have no online presence and only 11 have e-Services undergoing development. Information on government services is scattered throughout different sites, outdated or non-existent online. Belize performs well below LAC averages in most world rankings related to digital transformation. The 2020 E-Government Development Index ranks Belize 136 out of 193 United Nation (UN) member countries.

⁸ IFPG 2021 dataset.

⁹ Digital technologies include devices, systems, networks, and applications that can generate, transmit, process, or send information digitally.

¹⁰ Goldfarb and Tucker (2019). Hallward-Driemeier et al (2020). The National Research Council Canada (2013).

¹¹ See [MSME Demand Assessment](#) and [Digital Transformation for Supporting Economic Development of Belize](#).

¹² Digital innovation is the use of digital technologies and applications to improve firm efficiency through enhancing business processes, marketing (i.e., customer experience), new products or business models.

¹³ IDB. (2020). <https://publications.iadb.org/es/transformacion-digital-empresarial-como-nivelar-la-cancha>.

- 2.8 **Key advances on Belize's digital transformation.** Following the establishment of the E-Governance and Digitalization Unit¹⁴ in 2021, the Government of Belize approved the [National Digital Agenda 2022-2025](#)¹⁵ which establishes the country's vision to become a digital economy. It identifies strategic projects that will increase access to and efficiency of government services such as the digital transformation of the land registry. The government has introduced technological tools to improve tax administration and the business registry to facilitate and foster business growth that contribute to the economic recovery.
- 2.9 **Gender Considerations.**¹⁶ Although women-led firms are only slightly less likely to start a business (the Female/Male ratio is 0.9),¹⁷ women are 32% less productive than men in Belize and 13% less likely to innovate (IFPG 2020). Women lead smaller businesses than men as the size of the firms they were leading was 75.1% small, 24.9% medium and 0% of large firms, while those figures were 73.1%, 24.1% and 2.8% among men-led firms. Women-owned businesses tend to be informal, home-based and concentrated in the areas of small-scale entrepreneurship and traditional sectors, which primarily includes retail and service.¹⁸ According to the IFPG survey, women-led firms are less aware of technical assistance programs for technology adoption and management improvement than men-led firms (2.2% compared to 6.3% for men-led firms and a regional average of 14.7%). In terms of access to mobile technology, for every 89.3 mobiles owned by women, there were 100 among men.¹⁹ Of the 17% of the population with a higher education degree in Science, Technology, Engineering, and Math (STEM), only one-third of those individuals are women compared to men. Across the region in general, a smaller portion of females tend to be employed in the ICT sector.²⁰ The prior analysis signals a need to support women with digital skills, increase awareness of the role of digital technology, and target programs that improve their innovation and thus contribution to productivity.^{21,22}

¹⁴ The E-Governance and Digitalization Unit was created to lead the digital transformation of the country and to lead the implementation of the Digital Agenda for Belize 2022-2025.

¹⁵ Belize faces many challenges regarding the digital transformation of its government and economy. The National Digital Agenda, which was approved by Cabinet in December 2021, aims at developing the enabling framework for Belize's digital transformation, including public sector interoperability, cybersecurity, information management systems, digital identity, and creation and development of ICT skills within the public and private sector. It also includes projects related to "connectivity programs to training, innovation, and new technologies application programs to build trust in Government services, break the silos, and create a participative culture". This program will finance some initial activities to support the beginning of the implementation of the National Digital Agenda as they relate to provision of digital services for MSMEs. The Government of Belize is exploring partnerships and additional donor resources to implement the agenda's activities not addressed by this program (such as connectivity). For example, the Government of Belize partnered with the national Belize Telemedia Limited (BTL) company to expand connectivity to rural areas in the North and South of Belize. As such, the program will take into consideration current initiatives implemented by local government to grant internet access to rural communities in partnership with two telecom companies (Smart and Digicel).

¹⁶ See [Gender Analysis](#) for further details.

¹⁷ World Bank. [Female Entrepreneurship Resource Point – Introduction and Module 1: Why Gender Matters](#).

¹⁸ World Bank. [Female Entrepreneurship Resource Point – Introduction and Module 1: Why Gender Matters](#).

¹⁹ GSMA Mobile Connectivity Index. [Belize | Detail and Analysis](#).

²⁰ CEPAL (2021). [Datos y hechos sobre la transformación digital: informe sobre los principales indicadores de adopción de tecnologías digitales en el marco de la Agenda Digital para América Latina y el Caribe](#).

²¹ Bello, Alessandro (2020). [Las mujeres en Ciencias, Tecnología, Ingeniería y Matemáticas en América Latina y el Caribe](#). UNWOMEN: Montevideo.

²² IDB (2020). Skills to shape the future: Employability in Belize. http://sib.org.bz/wp-content/uploads/Skills_to_Shape_the_Future_Employability_in_Belize.pdf.

- 2.10 **Climate change considerations.** The project will encourage energy efficiency and e-waste management amongst firms to contribute to Belize's updated Nationally Determined Contribution (NDC).²³
- 2.11 **Demand assessment.** It has been concluded that there is sufficient demand for the Program resources. See [MSME Demand Assessment](#).
- 2.12 **Objective.** The objective of the loan Program is to increase productivity among MSMEs in Belize. The specific objectives are to: (i) stimulate MSME increase in sales and efficiency through digital transformation; and (ii) increase the supply and access to digital services for MSMEs.
- 2.13 **Component 1. Digital transformation for MSME growth (US\$5 Million).** This component will finance activities to: (i) stimulate MSME's demand for digital transformation and digital innovation; and (ii) enhance local digital capacities for MSME through two sub-components.
- 2.14 **Subcomponent 1.1 Demand for digital technology and innovation (US\$3,6 Million).** This sub-component will support MSMEs, especially women-led MSMEs, at their different stages of digital and innovation²⁴ maturities. Specifically, it will finance: (i) expansion of the Belize Trade and Investment Development Service (BELTRAIDE)'s online knowledge repository to facilitate access to data on digital maturity and innovation diagnostics for MSMEs and articulation between demand and supply of digital services in the ecosystem; (ii) implementation of a country wide, gender sensitized campaign to raise awareness and generate knowledge on the importance of digital technology and digital assets for competitiveness and growth; (iii) provision of grant funding²⁵ to support digital transformation and digital innovation initiatives of selected MSMEs (criteria for selection include completion of the digital checkup for assessing digital maturity of the firm, size of the firm, and the firm's potential for growth). Women-owned firms will benefit from gender specific activities such as mentorship and outreach programs; and (iv) investment in a digital innovation incubation institute (building on the concept of the BEI2²⁶) to provide digital specific interventions that will strengthen the ecosystem for entrepreneurship and innovation in Belize, including a mobile digital incubator program targeted at MSMEs located in rural areas of the

²³ The program will consider training and information to SMEs on climate change, specifically on energy efficiency and e-waste management. In addition, equipment procured will need to meet either national or internationally recognized energy efficiency labels. <https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Belize%20First/Belize%20Updated%20NDC.pdf>.

²⁴ An innovation auto-diagnostic has been designed for Belize as part of the Innovation Roadmap for Belize, currently being validated by stakeholders.

²⁵ Digital voucher programs will be implemented through certified digital service providers (DSPs) to benefit: (i) groups consisting of 8-15 firms classified as having incipient to intermediate digital maturities with an estimated USD\$2,000 in grants per firm; and (ii) individual firms classified as having an advanced digital maturity with an estimated USD\$20,000 per firm.

²⁶ The Belize Enterprise and Innovation Institute (BEI2) business plan, funded by Compete Caribbean Phase I, suggests five lines of business: (i) think tank activities; (ii) shared workspaces, facilities, and services; (iii) mentoring & support services; (iv) outreach & linkage programs with schools; and (v) piloting projects to stimulate innovation and to address specific roadblocks and constraints. The incubation center will be located at the Small Business Development Centre (SBDC) in Belize City.

country. It will also include specialized advisory services and an update to the existing monitoring and evaluation system²⁷.

- 2.15 **Subcomponent 1.2 Digital transformation services (US\$1,4 Million).** This sub-component will finance the strengthening of the local supply of digital solution service providers by: (i) developing a digital innovation cluster in Belize that will build the capacity of selected local suppliers of digital services; and (ii) implementing a demand-driven digital skills training program, with at least one cohort targeted to women only.
- 2.16 **Component 2. Digitalizing government services to support MSMEs (US\$4 Million).** This component will digitalize government transactions related to services provided to MSMEs. Specifically, it will finance: (i) the initial phase of an interoperability platform to support the information exchange for key government services for MSMEs (i.e. business registry, land registry, tax services); (ii) design and implementation of an E-portal for government services for MSMEs to provide a single sign-on access and consolidated information regarding these services; (iii) reengineering and digitalizing of prioritized government-to-business services, such as the land registry, that are important to improving the enabling environment for businesses; (iv) gender sensitized capacity building in designing, developing and managing digital services to MSMEs, and the design and implementation of a change management strategy to ensure sustainability; (v) gender sensitized communications campaign targeted to MSMEs and increasing their awareness and use of digital government services; and (vi) regulations and standards to enable the provision of digital services.
- 2.17 **Project administration and management (US\$1 Million).** The operation will fund Program management costs such as auditing, monitoring, supervision, intermediate and final evaluation, and impact evaluation of the Program.
- 2.18 **Beneficiaries and expected results.** The Program's beneficiaries will be: (i) MSMEs in Belize that will benefit from digital technologies that improve business processes and operation, better digital talent and quality service from ICT service providers; and (ii) public officials trained and equipped to lead a more efficient public sector and enabling business and innovation climate for MSMEs to operate in. Expected outcomes include: (i) increased sales and efficiency amongst MSMEs supported with the adoption of digital technology; and (ii) increased use of online government services by MSMEs. Although analyses are being carried out, it is roughly estimated that over 750 MSMEs would benefit from the various instruments to support digital awareness and adoption, noting that the digitalization of government services would impact a much wider range of firms.
- 2.19 **Strategic alignment.** The Program is aligned with the Second Update of the Institutional Strategy (AB-3190-2): Development Solutions that Reignite Growth and Improve Lives, through the development challenge of Productivity and Innovation, as it encourages innovation, productivity and competitiveness amongst MSMEs through the adoption of digital technologies and simplification of the business environment for MSMEs. It is also aligned with the cross-cutting issues areas of: (i) Institutional capacity and rule of law, as the operation will build the

²⁷ BELTRAIDE has in place a Neoserra system for monitoring clients supported. As such, the existing system will be evaluated and supported to meet the needs of the program. The project team will also coordinate with BL-L1041 as it pertains to digitalizing the eligibility and selection processes for the different calls and information sharing between entities supporting firms in Belize.

Government's institutional capacity to lead efforts in supporting MSMEs with the adoption of digital technologies; to increase efficiency, transparency and quality in government services for MSMEs; and to build ICT skills and capacities; and (ii) Gender equality, by supporting women-led firms with digital technological adoption as well as strengthening women's participation in the different Program's activities. This operation is also aligned with the Corporate Results Framework (CRF) 2020-2023 (GN-2727-12), through the following indicators: (i) Jobs supported; (ii) micro / small / medium enterprises financed; (iii) enterprises provided with technical assistance; (iv) women beneficiaries of economic empowerment initiatives; and (v) agencies with strengthened digital technology and managerial capacity. The Program is aligned with the Sector Strategy Institutions for Growth and Social Welfare (GN-2587-2), as it responds to strengthening entities that are part of the entrepreneurial ecosystem. The Program is consistent with the Innovation, Science and Technology Sector Framework Document (GN-2791-8), as it supports the strengthening of the innovation and entrepreneurship ecosystem. The Program is aligned with the IDB Group Country Strategy with Belize 2022-2025 (GN-3086) in the priority area of private sector productivity and sustainable growth with a focus on MSMEs as the program intends to increase private sector productivity and growth by directly supporting MSME digital transformation and strengthening the enabling environment for doing business. In that vein, the Program supports national strategies and commitments such as the following: (i) Horizon 2030: The National Development Framework for Belize (support to economic resilience for businesses to use appropriate technology to increase productivity and competitiveness); (ii) Belize's National Digital Agenda (support to Belize's goal to transform into a Digital Nation); and the Sustainable Development Goals (such as SDG-5, gender equality; SDG-8, decent work and economic growth; and SDG-9, industry, innovation, and infrastructure). The proposed activities support the following priorities of the IDB's Vision 2025: (i) the digital economy as it relates to improving digital skills; and (ii) support to MSMEs as it relates to direct financial and technical assistance for digital technological adoption.

- 2.20 **IDB group coordination and complementarity with other IDB operations.** This operation complements the IDB Lab's experience in promoting digital adoption and supporting incubators. It proposes to scale up forthcoming IDB Lab support to Belize²⁸. The Program will also create a pipeline of firms that may potentially seek additional financial support from the IDB Invest. The proposed loan Program is complementary to the following approved Bank operations in Belize: (i) "Strengthening of Tax Administration" ([4839/OC-BL](#)); "Strengthening Public Expenditure Management in Belize" ([5353/OC-BL](#)); and the "Global Credit Program for Safeguarding the Productive Sectors and Employment" ([5318/OC-BL](#)). The Program is also closely coordinating and identifying synergies with the following loan operations in preparation: (i) "Trade and Investment Facilitation Programme" which will be designing a single window for investment which will complement the digitalization of public services under Component 2 of this program; (ii) "Sustainable and Inclusive Belize" which will be providing grants to MSMEs in the tourism and agriculture industry and thus, this program will

²⁸ For instance, the IDB Lab project entitled "Digital Transformation of MSMEs in Belize" will be considered for funding this year. As such, the teams have been collaborating to coordinate both interventions.

complement with a focus on digital transformation and digital innovation vouchers; and (iii) “Promoting Sustainable Growth in the Blue Economy Program”.

- 2.21 **Execution.** The disbursement period will be five years. This is an Investment Loan Operation. The Executing Agency (EA) will be the Ministry of Finance, Economic Development and Investment (MFEDI).²⁹ The MFEDI will be responsible for the project management, fiduciary, monitoring and evaluation functions as well as institutional coordination with the technical units of government such as BELTRAIDE³⁰ and the E-Governance and Digitalization Unit (of the Ministry of Public Utilities, Energy, Logistics, and E-Governance). The execution would be managed at the level of the Ministry of Finance, Economic Development and Investment.
- 2.22 **Technical Cooperation.** “Digital Transformation for Improving the Business Climate for MSMEs in Belize” (BL-T1129) currently in preparation, will provide up to USD\$200,000 in financing to complement the objective of the Program. Specifically, it will strengthen the Government of Belize, 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 MSMEs.

III. TECHNICAL ISSUES AND SECTOR KNOWLEDGE

3.1 **Bank’s experience and lessons learned.** Lessons learned from the implementation of loan programs in Belize, such as the “Education Quality Improvement Program (EQIP) II” ([4798/OC-BL](#)) includes: (i) the need to centralize and strengthen capacity of the EA; and (ii) to streamline the number of procurements in order to improve the efficiency for implementing the loan program within the proposed timeframe. Lessons learned from similar digital transformation loan programs such as “MSME Digital Transformation Program” ([5294/OC-UR](#)) and the CCLIP “*Brasil Mais Digital*” ([BR-O0010](#)), “E-Government Management Program Assistance in Uruguay” ([1970/OC-UR](#)), “Program to Support E-Government Management in Uruguay II” ([2591/OC-UR](#)), and “Panama Online Program” ([3683/OC-PN](#)), include the importance of strengthening the EA’s digital capacity; maintaining a flexible design to adapt more readily to any technological changes during execution; ensuring strong, innovative communication and outreach program to reach women-led firms and firms located in more rural areas; ensuring strong political support in entities responsible for digital services; implementing effective coordination mechanisms to ensure the execution of the activities; and developing and implementing a change management strategy considering the challenges of introducing digital transformation to public institutions. An evaluation of the IDB Lab’s ICT cluster initiative (which financed

²⁹ Based on the draft PACI, the MFEDI has implemented public investment projects and will be responsible for the administrative management, results monitoring and fiduciary reporting for four IDB loan operations in the pipeline for 2022 (including this Program). The MFEDI will coordinate the technical units responsible for the implementation of project activities. The execution structure and the coordination between these entities will be detailed in the Proposal for Operations Development (POD) and Operating Manual (OM) of the program following the recommendations of the Platform for the Analysis of Institutional Capacity (PACI).

³⁰ The Belize Trade and Investment Development Service (BELTRAIDE) is a statutory body of the Government of Belize tasked a national economic development agency, operating within the portfolio of the MFEDI. Its mission is to enhance Belize’s prosperity by fostering investor confidence, entrepreneurship, business growth and innovation. <https://www.beltraide.bz/>.

49 programs related to the use of ICT to strengthen SMEs in 16 countries of the region, between 2001 and 2010) found that respondents reported nearly half of the SMEs increased sales by a substantial amount (47% of respondents indicated an increase in sales income of more than 10%) (Ca'Zorzi, 2011). IDB Lab's project "We3A – Improving Access to Value Chains for Women Entrepreneurs" ([ATN/ME-18621-RG](#)) also provides lessons on the importance of designing interventions that takes into consideration differences in needs, access to opportunities, and capacities of women entrepreneurs.

IV. ENVIRONMENTAL SAFEGUARDS AND FIDUCIARY SCREENING

- 4.1 In attention to the new Environmental and Social Policy Framework, the operation was classified as Category "C" since no significant negative environmental or social effects are to be expected.
- 4.2 **Fiduciary aspects.** Procurements financed by the operation will follow policies GN-2349-15 and GN-2350-15, and the financial management function will be guided by policy OP-273-12. So far, no exceptions to these policies are anticipated. The institutional capacity analysis of the MFEDI is being done using the ICAP methodology and the results, including the fiduciary risks, will be elaborated in the POD. A medium-high risk to implementation identified so far is that, though MFEDI has experience implementing projects financed by other multilateral development banks, it does not have experience implementing IDB-financed projects. To mitigate this risk, the MFEDI will be trained and supported by the Bank's team on fiduciary and other policies of the Bank.

V. OTHER ISSUES

- 5.1 **Risks.** The medium-high to high risks preliminarily identified with this project are an increased social vulnerability, due to effects of the pandemic and/or significant natural disaster and climate change which could shift the country's priorities. This medium-high level risk will be mitigated through awareness campaigns (radio, television, and social media) on the vital role of digital technology in increasing resiliency to such external shocks. See [Risk Matrix](#).
- 5.2 **Sustainability.** The Program intends to build sufficient digital capacity within innovation ecosystem actors through training in digital skills in both the public sector (particularly in institutions such as MFEDI, Beltraide, and the Unit of E-Governance and Digitalization) and the private sector to ensure the continuity and sustainability of support for the adoption of digital technologies amongst MSMEs and for gender sensitized private sector digital support programs. Furthermore, the Program's investment in digital technology and interoperability, including capacity building and change management support to Government agencies, are aligned with the country's National Digital Agenda, building the foundation for a continued and integral digital transformation process.

VI. RESOURCES AND TIMETABLE

- 6.1 The preparation of the Program will not require administrative resources. The proposal for Operation Development (POD) will be distributed to the Quality and Risk Review (QRR) by April 25th, 2022, and for consideration by the Bank's Board of Executive Directors on July 29th, 2022. Time needed for project preparation will be 0.97 FTEs (see [Annex V](#)).

CONFIDENTIAL

¹ The information contained in this Annex is confidential and will not be disclosed. This is in accordance with the "Deliberative Information" exception referred to in paragraph 4.1 (g) of the Access to Information Policy (GN-1831-28) at the Inter-American Development Bank.

Operation Information

| | |
|--|----------|
| Operation Name | |
| Digital Innovation to Boost Economic Development in Belize | |
| Operation Number | BL-L1039 |

Operation Details

| | |
|---|---|
| Organizational Unit | IDB Sector/Subsector |
| IFD/CTI | BUSINESS CLIMATE AND COMPETITIVENESS |
| Type of Operation & Modality | Original IDB Amount |
| LON / ESP | \$10,000,000.00 |
| Environmental and Social Impact Categorization (ESIC) | Disaster and Climate Change Risk Classification (DCCRC) |
| C | Low |
| Environmental and Social Risk Rating (ESRR) | |
| Moderate | |
| Executing Agency | Borrower |
| BL-MOF | BELIZE |
| ESG Primary Team Member | Team Leader |
| | Kayla Sharee Grant |
| Toolkit Completion Date | Author |
| 17/02/2022 | Tapia Alba, Mauricio Alejandro (Esg Guidance Services) |
| Applicable ESPs | |
| ESPS 1; ESPS 2; ESPS 10 | |

Operation Classification Summary

| | |
|----------------|------------------------------|
| Overriden ESIC | Overriden ESIC Justification |
| | |
| Comments | |
| | |

| | |
|-----------------|-------------------------------|
| Overriden DCCRC | Overriden DCCRC Justification |
| | |

| Comments |
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Summary of Impacts / Risks and Potential Solutions

The project has no environmental and social impacts and/or risks therefore no Environmental and Social Assessment (ESA) or Environmental and Social Impact Assessment (ESIA) process will be conducted for the project during preparation.

There are no contextual risks associated with the project (e.g. political instability, oppression of communities, armed forces in the project area).

The operation will not have direct impacts associated with child labor or forced labor in the workforce.

The operation will not have significant indirect and/or cumulative impacts associated with child labor or forced labor in the workforce.

The Executing Agency or other relevant entity (in relation to the operation) has a proven track record to respect and protect the fundamental principles and rights of workers (including fair treatment, commitment to non-discrimination, equal opportunity, protection of workers including workers in vulnerable situations, work accommodations, migrant workers' rights, collective bargaining and rights of association) and compliance with national employment and labor laws.

The operation will not result in the direct loss of employment (i.e. retrenchment).

The operation will not result in the indirect and/or cumulative loss of employment (i.e. retrenchment).

The Borrower will prepare and operate a Grievance Redress Mechanism for all workers (direct and contracted).

The operation will not cause direct impacts associated with accidents, injury, and attraction disease arising from, associated with, or occurring in the course of work.

The operation will not cause indirect and/or cumulative impacts associated with accidents, injury, and attraction disease arising from, associated with, or occurring in the course of work.

The operation will promote a sustainable use of resources including energy, water and raw materials.

The operation will not have direct adverse impacts on human health and the environment due to pollution from project activities.

The operation will not have indirect and/or cumulative adverse impacts on human health and the environment due to pollution from project activities.

The operation will not generate direct impacts generated by solid waste (hazardous and/or non-hazardous).

The operation will not generate indirect and/or cumulative impacts generated by solid waste (hazardous and/or non-hazardous).



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The operation will not have direct negative impacts to the environment and human health and safety due to the production, procurement, use, and disposal of hazardous materials such as PCBs, Radiological Waste, Mercury, CFCs, etc.

The operation will not have indirect and/or cumulative negative impacts to the environment and human health and safety due to the production, procurement, use, and disposal of hazardous materials such as PCBs, Radiological Waste, Mercury, CFCs, etc.

The operation will not have direct negative impacts to the environment and human health and safety due to the production, procurement, use, and disposal of pesticides.

The operation will not have indirect and/or cumulative negative impacts to the environment and human health and safety due to the production, procurement, use, and disposal of pesticides.

The operation is not expected to or currently produce directly GHG emissions.

The operation is not expected to or currently produce indirectly-cumulatively GHG emissions.

The operation is not considering alternatives to implement technically and financially feasible and cost-effective options to avoid or minimize project-related GHG emissions during the design and operation of the project.

The operation has no exposure to climate transition risks related with a loss of value of a project driven by the transition to a lower-carbon economy, result from extensive policy, legal, technology, and/or market changes to address climate change.

There are no direct health and safety risks associated with the design of structural elements or components of the operation (e.g. existing or new buildings, earthworks, bridges, drainage, roadways, power stations, transmission and distribution poles, underground utilities, and dams), and/or road transport activities (e.g. transport of heavy or over-sized equipment) which could result in health and safety impacts to third parties and project-affected people.

There are no indirect and/or cumulative health and safety risks associated with the design of structural elements or components of the operation (e.g. existing or new buildings, earthworks, bridges, drainage, roadways, power stations, transmission and distribution poles, underground utilities, and dams), and/or road transport activities (e.g. transport of heavy or over-sized equipment) which could result in health and safety impacts to third parties and project-affected people.

The project will not directly affect the public (including workers and their families) by exposing them to hazardous materials released by the project, particularly those that may be life threatening.

The project will not indirectly-cumulatively affect the public (including workers and their families) by exposing them to hazardous materials released by the project, particularly those that may be life threatening.

There is no potential for the project or project-related activities (e.g. the influx of temporary or permanent project labor, among others) to directly result in or exacerbate community exposure to water-related (i.e., waterborne, water-based, and vector-borne diseases) and/or communicable diseases (e.g. COVID).

There is no potential for the project or project-related activities (e.g. the influx of temporary or permanent project labor, among others) to indirectly-cumulatively result in or exacerbate community exposure to water-related (i.e., waterborne, water-based, and vector-borne diseases) and/or communicable diseases (e.g. COVID).



The project's direct impacts on priority ecosystem services will not result in adverse health and safety risks and impacts to the project-affected people.

The project's indirect and/or cumulative impacts on priority ecosystem services will not result in adverse health and safety risks and impacts to the project-affected people.

There is no potential for an emergency or unanticipated event to occur in the project area of influence that demands immediate action to prevent or reduce harm to people, property, and/or the environment.

Natural hazards, such as earthquakes, droughts, landslides, floods, wildfires, or others, including those caused or exacerbated by climate change, are not likely to occur in the project area, and there will be no impact the project, and/or the project will not exacerbate the risk from natural hazards to human life, property, and/or the environment.

There is no potential direct impacts to workers and project-affected people related to the use or arrangement of security services to safeguard personnel and/or property.

There is no potential indirect and/or cumulative impacts to workers and project-affected people related to the use or arrangement of security services to safeguard personnel and/or property.

The project will not lead to direct impacts related to land acquisition - Impacts include, and are not limited to, relocation; loss of shelter; loss of land; loss of assets; restrictions on land and natural resources; loss of income; loss of livelihoods; loss of social safety net.

The project will not lead to indirect and/or cumulative impacts related to land acquisition - Impacts include, and are not limited to, relocation; loss of shelter; loss of land; loss of assets; restrictions on land and natural resources; loss of income; loss of livelihoods; loss of social safety net.

Vulnerable people will not be disproportionately affected by direct impacts related to land acquisition - people may be considered vulnerable by virtue of disability, state of health, indigenous status, gender identity, sexual orientation, religion, race, color, ethnicity, age, language, political or other opinion, national or social origin, property, birth, economic disadvantage, or social condition. Other vulnerable people include the elderly, children, single-headed households, refugees, internally displaced persons, natural resource dependent communities.

Vulnerable people will not be disproportionately affected by indirect and/or cumulative impacts related to land acquisition - people may be considered vulnerable by virtue of disability, state of health, indigenous status, gender identity, sexual orientation, religion, race, color, ethnicity, age, language, political or other opinion, national or social origin, property, birth, economic disadvantage, or social condition. Other vulnerable people include the elderly, children, single-headed households, refugees, internally displaced persons, natural resource dependent communities.

The operation doesn't have the potential to directly impact modified habitat that include significant biodiversity value.

The operation doesn't have the potential to indirectly-cumulatively impact modified habitat that include significant biodiversity value.

The operation doesn't have the potential to directly convert or degrade natural habitat.

The operation doesn't have the potential to indirectly-cumulatively convert or degrade natural habitat.



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The operation doesn't have the direct potential to implement project activities in critical natural habitat.

The operation doesn't have the indirect and/or cumulative potential to implement project activities in critical natural habitat.

The operation is not expected to directly impact a legally protected area or an internationally recognized area.

The operation is not expected to indirectly-cumulatively impact a legally protected area or an internationally recognized area.

The project will not directly introduce (intentionally or accidentally) alien, or non-native, species of flora and fauna that have the potential for invasive behavior in areas where they are not normally found.

The project will not indirectly-cumulatively introduce (intentionally or accidentally) alien, or non-native, species of flora and fauna that have the potential for invasive behavior in areas where they are not normally found.

The project is not likely to adversely directly impact ecosystem services.

The project is not likely to adversely indirectly-cumulatively impact ecosystem services.

The project is not expected to cause adverse direct impact on Indigenous Peoples. FPIC is required when there will be (i) impacts on lands and natural resources subject to traditional ownership or under customary use; (ii) Relocation of Indigenous Peoples from lands and natural resources subject to traditional ownership or under customary use; or (iii) significant impact on Cultural Heritage.

The project is not expected to cause adverse indirect/cumulative impact on Indigenous Peoples. FPIC is required when there will be (i) impacts on lands and natural resources subject to traditional ownership or under customary use; (ii) Relocation of Indigenous Peoples from lands and natural resources subject to traditional ownership or under customary use; or (iii) significant impact on Cultural Heritage.

Indigenous Peoples are not expected to be adversely impacted by direct project related land-acquisition or access restrictions. Note that all impacts on lands and natural resources subject to traditional ownership or under customary law requires FPIC.

Indigenous Peoples are not expected to be adversely impacted by indirect/cumulative project related land-acquisition or access restrictions. Note that all impacts on lands and natural resources subject to traditional ownership or under customary law requires FPIC.

The project doesn't have the potential to cause adverse direct impacts on Indigenous Peoples who live in isolation and initial contact.

The project doesn't have the potential to cause adverse indirect and/or cumulative impacts on Indigenous Peoples who live in isolation and initial contact.

The project is not expected to directly damage or negatively impact cultural heritage.

The project is not expected to indirectly-cumulatively damage or negatively impact cultural heritage.

The project is not expected to directly damage or negatively impact critical cultural heritage.



The project is not expected to indirectly-cumulatively damage or negatively impact critical cultural heritage.

The project will not negatively directly affect people due to their gender, sexual orientation or gender identity.

The project will not negatively indirectly-cumulatively affect people due to their gender, sexual orientation or gender identity.

The project is not expected to lead to direct risks and impacts associated with Sexual and Gender-based Violence.

The project is not expected to lead to indirect and/or cumulative risks and impacts associated with Sexual and Gender-based Violence.

The project will not potentially face direct barriers to equitable gender-based participation.

The project will not potentially face indirect and/or cumulative barriers to equitable gender-based participation.

The project will not deal with a subject matter and/or be implemented in an area where the manipulation, interference, coercion, discrimination, and intimidation of stakeholders has been documented.

ESPS 1 - Assessment and Management of Environmental and Social Risks and Impacts

The project has no environmental and social impacts and/or risks therefore no Environmental and Social Management System (ESMS) will be prepared for the operation as defined under ESPS 1.

ESPS 2 - Labor and Working Conditions

The Executing Agency will partially prepare and maintain an Environmental and Social Management System (ESMS) for the operation with specific elements related to Labor and Working Conditions under ESPS 2.

ESPS 10 - Stakeholder Engagement and Information Disclosure

The Borrower will operate a Grievance Redress Mechanism at the Project level (direct and contracted).

Social and Environmental Strategy


A. Environmental impact

- 1.1 The loan Program has the objective to reactivate economic growth among MSMEs in Belize. The specific objectives are to: (i) stimulate MSME increase in sales and efficiency through digital transformation; and (ii) increase the supply and access to digital services for MSMEs.
- 1.2 Considering that the operation will have minimal or null environmental and social impacts, that there are no substantial or high socio-environmental risks and that the risk of natural disasters and climate change are low, there are no specific requirements derived from the Environmental and Social Policy Framework (ESPF).

B. Environmental and Social Performance Standards (ESPSs)

- 2.1 **ESPS 1 - Assessment and Management of Environmental and Social Risks and Impacts.** The project has no environmental and social impacts and/or risks therefore no Environmental and Social Management System (ESMS) will be prepared for the operation as defined under ESPS 1.
- 2.2 **ESPS 2 - Labor and Working Conditions.** The Executing Agency will prepare and maintain an Environmental and Social Management System (ESMS) for the operation with specific elements related to Labor and Working Conditions under ESPS 2.
- 2.3 **ESPS 10 - Stakeholder Engagement and Information Disclosure.** The Borrower will operate a Grievance Redress Mechanism at the Project level (direct and contracted)

INDEX OF COMPLETED AND PROPOSED SECTOR WORK

| Area | Description of Works | Dates | Hyperlinks to Technical Files |
|---|--|------------|---|
| National Policies and Strategies | Horizon 2030: National Development Framework of Belize | Completed | https://med.gov.bz/horizon-2030-the-national-development-framework-for-belize/ |
| | Belize Growth and Sustainable Development Strategy: 2016-2019 | Completed | https://med.gov.bz/wp-content/uploads/2020/08/Final-Summary-Strategy-April-7-2016.pdf |
| | Belize Micro, Small & Medium Enterprise Policy. 2021 | Completed | https://www.beltraide.bz/uploads/6/4/9/6/64967361/belize-msme-final.pdf |
| | National Entrepreneurship Strategy | Completed | https://issuu.com/beltraidemarketing/docs/national_entrepreneurship_strategy |
| | ENOVA@UB Business Plan: An Ecosystem for Enterprise Innovation and Research Development in Belize. 2015. | | (Internal document) |
| | National Digital Agenda - Belize | Completed |  NATIONAL DIGITAL AGENDA (FINAL).pdf |
| | Innovation Roadmap for Belize | March 2022 | In preparation |
| Technical studies and design | PACI analysis | March 2022 | In preparation |
| | Demand analysis | March 2022 | In preparation |
| | Analysis of the supply of digital solutions providers | April 2022 | In preparation |
| | IT diagnostic of Prioritized Public Sector Services for MSMEs | April 2022 | In preparation |
| | Transfer of digital maturity diagnostics (Digital Checkup) | April 2022 | In preparation |
| | Design of digital transformation MSME interventions | March 2022 | In preparation |
| | Rekindling Economic Growth in Belize | Completed | https://publications.iadb.org/publications/english/document/Rekindling-Economic-Growth-in-Belize.pdf |
| | The Digital Transformation Imperative: An IDB Science and Business Innovation Agenda for the New Industrial Revolution. 2018 | Completed | https://publications.iadb.org/publications/english/document/The-Digital-Transformation-Imperative-An-IDB-Science-and-Business-Innovation-Agenda-for-the-New-Industrial-Revolution.pdf |
| | Exploring Firm Level Innovation and Productivity in Developing Countries. 2016. Dohnert, Crespi and Maffioli. | Completed | https://publications.iadb.org/handle/11319/8138 |
| | Developing policies to promote SME digital adoption: Rapid evidence reviews. NESTA. | March 2022 | (Not yet public) |

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|--|--|---------|--------------------|
| Analysis of the Institutional, Legal and Regulatory Framework | Document assessing the institutional framework and proposing implementation measures | Pending | Internal Document. |
|--|--|---------|--------------------|

CONFIDENTIAL

¹ The information contained in this Annex is confidential and will not be disclosed. This is in accordance with the "Deliberative Information" exception referred to in paragraph 4.1 (g) of the Access to Information Policy (GN-1831-28) at the Inter-American Development Bank.