

I. Basic Information for TC

▪ Country/Region:	BELIZE
▪ TC Name:	Digital Innovation to Boost Economic Development in Belize
▪ TC Number:	BL-T1171
▪ Team Leader/Members:	Grant, Kayla Sharee (IFD/CTI) Team Leader; Vasquez Rossi, Maria Ines (IFD/ICS) Alternate Team Leader; Galeano Buitrago Maria Alejandra (IFD/CTI); Patricia Elena Pomenta Bastidas (ORP/GCM); Rivero, Ruthann Rachel (CID/CBL); Gian Marco Vasquez (IFD/CTI); Watson, Brodrick Raylando (VPC/FMP); Bonilla Merino Arturo Francisco (LEG/SGO); Fernandez-Duran Gortazar, Carla Cristina (ORP/EUR); Sanmartin Baez, Alvaro Luis (LEG/SGO); Lunstedt Tapia, Christian (VPC/FMP); Morales Reina Genesis Del Carmen (IFD/CTI) Team Leader; Vasquez Rossi, Maria Ines (IFD/ICS) Alternate Team Leader; Galeano Buitrago Maria Alejandra (IFD/CTI); Patricia Elena Pomenta Bastidas (ORP/GCM); Rivero, Ruthann Rachel (CID/CBL); Gian Marco Vasquez (IFD/CTI); Watson, Brodrick Raylando (VPC/FMP); Bonilla Merino Arturo Francisco (LEG/SGO); Fernandez-Duran Gortazar, Carla Cristina (ORP/EUR); Sanmartin Baez, Alvaro Luis (LEG/SGO); Lunstedt Tapia, Christian (VPC/FMP); Morales Reina Genesis Del Carmen (IFD/CTI)
▪ Taxonomy:	Operational Support
▪ Operation Supported by the TC:	BL-L1039.
▪ Date of TC Abstract authorization:	.
▪ Beneficiary:	Belize
▪ Executing Agency and contact name:	Ministry Of Finance, Economic Development, And Investment
▪ Donors providing funding:	European Commission Amended and Restated Framework Agreement(ECR)
▪ IDB Funding Requested: ¹	US\$2,006,257.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	48 months
▪ Required start date:	August 2024
▪ Types of consultants:	Individual consultants and consulting firms
▪ Prepared by Unit:	IFD/CTI-Competitiveness, Technology and Innovation Division
▪ Unit of Disbursement Responsibility:	CID/CBL-Country Office Belize
▪ TC included in Country Strategy (y/n):	Yes
▪ TC included in CPD (y/n):	Yes
▪ Alignment to the Update to the Institutional Strategy 2024-2030:	Environmental sustainability; Gender equality; Institutional capacity and rule of law; Productivity and innovation

II. Description of the Associated Loan

2.1 Belize has approved and is implementing the project “Digital Innovation to Boost Economic Development in Belize” (BL-L1039, [5647/OC-BL](#)), a US\$10 million

¹ The earmarked funding will be provided from the European Union through the European Commission as a Project Specific Grant (PSG) administered by the Bank. The total amount of the funding will be €1,979,500 (US\$2,146,695) of which €1,850,000 (US\$2,006,257) will finance the activities of this TC and €129,500 (US\$140,438) will cover Bank's fees. USD is based on the exchange rate 1.08446325 as of March 28th, 2023.

IDB-financed loan program² to improve the business and innovation climate for Micro, Small, and Medium-sized Enterprises (MSMEs) by promoting digital transformation and innovation for stimulating MSME competitiveness, economic diversification, and growth. The program's objectives are to promote digitalization of firms and government services in order to promote growth and increase efficiency in Belize's economy. The specific objectives are to: (i) promote firms' growth through increased adoption of digital solutions; (ii) promote firms' efficiency through digitalization of licensing processes; and (iii) reduce costs for citizens through the digitalization of civil registration services. Resulting outcome indicators are expected to be higher labor productivity and increase in average sales of MSMEs benefitting from the program. Under the loan program, it is expected that: (i) firms will increase their use of digital solutions by MSMEs to promote growth; and (ii) government will increase its effectiveness at providing digital services to MSMEs. The funding provided by the European Union (EU) for this Technical Cooperation (TC) is expected to complement the investment loan program by scaling up activities of the loan that will increase use of digital solutions by MSMEs, especially women-led firms where the project will support gender specific projects in response to the identified challenges of women-owned firms in adopting digital technology (§3.4 for the proposed gender gaps to be addressed and §4.2.1 and §4.2.2 which describes the related activities for promoting digital adoption amongst women owned firms). The TC will provide additionality in the areas of stimulating private sector investment in digital innovation and green transformation (§4.3.1) through the proposed incubator program . Finally, the EU contribution, in its complementary support to the loan program, will support building advanced digital skills capabilities of the ecosystem in Belize which necessary for developing and sustaining digitalized government services and digital support to MSMEs, especially in cybersecurity.

III. Objectives and Justification of the TC

- 3.1 **Low firm productivity.** Productivity, an important input for long term economic growth, continues to decline in the Latin American and Caribbean (LAC) region. The average firm productivity (measured as sales per worker) in Belize, in 2016 was BZ\$21,000 per worker.³ Compared to the group of large firms, MSMEs are considerably less productive, revealing severe productivity gaps by firm size. Micro firms are 68% less productive than large firms, while this figure is 80% for small firms and 48% for medium firms. Data from the Innovation, Firm Performance, and Gender (IFPG) survey from 2020, which excludes micro firms, confirms the same productivity gaps for small and medium firms with respect to large firms. Among the 13 countries surveyed by the IFPG, Belize ranks 5th as the country with the largest productivity gap between small and large firms. Connecting MSMEs in the value chain to large firms (also known as anchor firms), can lead to benefits such as knowledge spillovers, access to networks, and access to markets that can enhance MSME contribution to the economy. Good business environments have been found to stimulate investment in innovation, a key variable for productivity leading to economic development.

² Approved by the Board of Executive Directors on November 9, 2022, with current disbursement at 17.98%.

³ Based on the 2016 [Enterprise Surveys in Belize](#) from the SIB, which collected data on 7,975 firms in Belize.

- 3.2 **Digitalization has reshaped competitive dynamics of the economy.**⁴ To boost economic development, post-COVID-19 economic recovery and sustained growth requires adopting digital technology. Digitalizing can: (i) reduce transactions costs for citizens accessing services important to improving lives; (ii) reduce transactions costs for firms thereby contributing to improvements in the enabling business environment; and (iii) increase firm productivity, which in turn drives growth and economic development. Evidence demonstrates that digital technology drives innovation⁵ and improves business performance in terms of sales, employment, and productivity, thereby contributing to economic development. Yet, in terms of digital adoption, Belize's overall score on the Digital Adoption Index (DAI), in 2016, was 0.4 compared to countries such as Jamaica (0.5), Suriname (0.5), Guatemala (0.5), and Trinidad and Tobago (0.6). In the 2016 DAI, Belize scored 0.585 on the business sub-index, 0.289 in the people sub index, and 0.337 in the government sub-index, signaling a need to improve digital adoption among firms, citizens, and government.
- 3.3 **Limited digital transformation of firms.** Innovation with digital technologies is limited in Belize. According to the IFPG survey, only 1.6% of firms reported that their enterprises introduced methods for information processing and communication during the three years prior to the survey. Additionally, only 10% of firms in Belize used digital payment methods, compared to a regional average of 28%.⁶ Notably, none of the large firms surveyed accepted any form of digital payment. Among small firms, 2.4% accepted electronic payments through money transfer services like Western Union, while 11.2% accepted payments via international processors such as Paypal or Stripe. For medium firms, 4.1% accepted payments through these international processors. As such, to improve the state of digital maturity of firms (initial, beginner, competent, advanced, and expert), a comprehensive digital transformation is necessary.
- 3.4 **Gender Considerations**⁷. Women-led firms are 32% less productive than male-led firms in Belize, and 13% less likely to innovate (IFPG 2020). The gender gap in productivity is associated with the following challenges which this program seeks to address: (i) fewer and weaker business networks than male entrepreneurs, thus limiting women's access to information about technical support programs. 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%); (ii) lack of digital skills amongst women, from 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. Furthermore, only 11.72% of female graduates in Belize choose to pursue a STEM track. In contrast, one-third (29.32%) of the total male graduates attain a degree in these fields. One study found that female-focused STEM-based entrepreneurship program is a key factor in the development of entrepreneurial attitudes in young female students and is associated with soft-skills development, particularly in the areas of creative thinking, risk-taking, problem solving,

⁴ Organization for Economic Co-Operation and Development (OECD) (2022), [OECD Handbook on Competition Policy in the Digital Age](#). See [Digital Transformation for Supporting Economic Development in Belize](#).

⁵ Goldfarb and Tucker (2019). Hallward-Driemeier et al. (2020), and the National Research Council Canada (2013).

⁶ IFPG (2020).

⁷ See [Gender and Diversity Checklist](#).

and leadership development.⁸ Across the region, in general, a smaller portion of females tend to be employed in the Information and Communications Technology (ICT) sector;⁹ and (iii) differences in the adoption of business practices, digital technologies, and innovation. In terms of access to mobile technology, for every 89.3 mobiles owned by women, there were 100 among men.¹⁰ Furthermore, women-owned businesses also tend to be informal, homebased, and concentrated in the areas of small-scale entrepreneurship and traditional sectors, which primarily include retail and service.¹¹

- 3.5 **Climate change considerations.** In 2021, Belize completed an update to its Nationally Determined Contribution (NDC) under the Paris Climate Change Agreement. The German watch Global Climate Risk Index 2018, a measure of level of exposure and vulnerability to weather-related events such as storms and floods, showed that Belize ranks 33 out of 182 for the most affected countries in the period 2000-2019. Digital technologies contribute to increasing levels of data, fueling the data processing cycle and subsequent production of emissions. However, digital technologies can also be a powerful tool to combat climate change. The project intends to address climate change vulnerability through financing climate change adaptation and mitigation activities that support the adoption of digital technology projects in renewable energies, energy efficiency, climate data collection and monitoring, and other digital technologies that contribute to climate resilience and adaptation and/or reducing Greenhouse Gas (GHG) emissions. In this program, firms will be incentivized to utilize digital technologies to also pursue green growth (and to take climate action), especially in the areas of energy efficiency and e-waste management but also expanded to areas such as remote sensing infrastructure, smart sensors, and mobile applications and services for providing live information to farmers on climate conditions, forecast crop yields and production, pests information, information on quality standards and norms, etc. As a result, this project will empower firms to become more sustainable and environmentally conscious and, in turn, foster innovation and use of digital technologies to open up new market opportunities for Belize businesses.
- 3.6 **TC Request.** As captured in the Country Programming Document (CPD) for Belize, the Government of Belize requested support and gave its non-objection to leverage grant resources to complement [5647/OC-BL](#) Digital Innovation to Boost Economic Development loan program that is currently in execution with the aim of strengthening related outcomes and developmental impact.
- 3.7 **Beneficiaries.** The program's beneficiaries will be: (i) approximately 250 micro-small firms, 8 medium firms and 2 large firms (that in turn support MSMEs in their value chain), especially women-led MSMEs, in Belize that will benefit from digital technologies and digital talent that improve business processes and operation; (ii) at least 20 individuals, of which 10 will be women, will benefit from vouchers to attend

⁸ Shahin, et al. (2021). [The Impact of STEM-based Entrepreneurship Program on the Entrepreneurial Intention of Secondary School Female Students](#). This study emphasized that “the entrepreneurship field is still limited by little evidence-based knowledge of the impacts of entrepreneurship programs on the entrepreneurial intention of students in pre-university levels of study. Further, gender equity continues to be an issue in the entrepreneurial sector, particularly in STEM-focused entrepreneurship”.

⁹ 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](#).

¹⁰ GSMA Mobile Connectivity Index. [Belize | Detail and Analysis](#).

¹¹ World Bank. [Female Entrepreneurship Resource Point – Introduction and Module 1: Why Gender Matters](#).

digital skills bootcamp; and (iii) it is estimated that at least three entrepreneurs and/or start-up firms will be incubated and benefit from innovative digital solutions, including solutions that tackle climate action.

- 3.8 **TC Objective.** The general objective of this TC is to promote digitalization of firms in order to promote growth and increase efficiency in Belize's economy. The specific objective of the project is to promote firms' growth through increased adoption of digital solutions. The program aims to increase use of digital solutions by MSMEs, especially women led firms, to promote environmentally friendly growth.
- 3.9 This TC supports gender equality by supporting women-led firms with digital technological adoption as well as strengthening women's participation in the different program's activities through digital skills support and increased awareness of the role of digital technology through targeted campaigns aimed at women-led firms to ensure their uptake of digital technologies and thus contribution to productivity. Specifically, funding is included in all components for awareness campaigns targeted to women and women led firms. In Subcomponents 1.1 and 1.2, the digital voucher program, the incubation support, and digital skills program will give favorable weight to proposals submitted by women and/or which support women and vulnerable rural populations. The implementing agencies of the loan program have existing programs (such as those that showcase outstanding women-led firms to inspire other women in the business community), which will continue to proactively promote women's empowerment and participation in the different calls and program activities through targeted technical assistance that reduce barriers for women and women-led firms' involvement in the program's activities. Though limited data presents a challenge, the project will encourage energy efficiency and e-waste management amongst firms to contribute to Belize's NDC. Furthermore, the project will implement a campaign targeted to MSMEs to sensitize these firm on how to move towards a Twin Transition.
- 3.10 **Complementarities.** The project is complementary to the following approved Bank operations in Belize: (i) "Sustainable and Inclusive Belize" ([5583/OC-BL](#)), which is providing sector specific grants to MSMEs in the agriculture and tourism sector and this TC will provide grants to MSMEs for the uptake of digital technology which provides a distinct opportunity for collaboration in managing these grant programs under an Application Programming Interface (API) to share data between platforms or under a single online grant platform; (ii) "Trade and Investment Facilitation Program for Belize" ([5582/OC-BL](#)) is establishing a trade linkage program to access new markets that will allow mature MSME beneficiaries under this TC to tap into new markets; and (iii) "Promoting Sustainable Growth in the Blue Economy Program" ([5769/OC-BL](#)) which will implement a matching grant program geared to promote the adoption of climate-smart technologies (or equipment) by fisherfolk to improve fishing activities in Belize which directly complements this operation in supporting the technological uptake (including digital technology) of the fisheries sector. This TC also complements the IDB Lab's experience in promoting digital adoption and supporting incubators and project "Promoting Sustainability and Driving Growth Through a MSME Digital Revolution in Belize"([ATN/ME-19705-BL](#)) which seeks to improve the quality of ecosystem support to Belizean businesses digital readiness and transformation, and provide access to finance to drive and facilitate business digital transformation. The program will also create a pipeline of firms that may potentially seek additional financial support from the IDB Invest.

- 3.11 **Strategic Alignment.** This Technical Cooperation is consistent with the IDB Group Institutional Strategy: Transforming for Scale and Impact (GN-3159-12) and is aligned with the objective of Bolstering Sustainable Growth, as it encourages innovation, productivity, and competitiveness amongst Belize's MSMEs through the adoption of digital technologies and enhancement of digital capabilities. It is also aligned with the operational focus areas of: (i) Biodiversity, Natural Capital, and Climate Action; (ii) Gender Equality; (iii) Institutional Capacity, Rule of Law, and Citizen Security; and (iv) Productive Development and Innovation through the Private Sector. The program is also 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 and the strategic objective of promoting digital transformation and innovation among firms, as the program intends to increase private sector productivity and growth by directly supporting digital transformation and strengthening the enabling environment for doing business.
- 3.12 The program also supports national strategies and commitments such as the following: (i) Plan 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); (iii) Belize's MSME Policy and Strategy (which includes outreach to firms in rural communities); and (iv) the Sustainable Development Goals (SDGs) (such as SDG 5, gender equality; SDG 8, decent work and economic growth; and SDG 9, industry, innovation, and infrastructure).
- 3.13 Lastly, the project aligns to the European Commission Amended and Restated Framework Agreement (ECR). It strategically aligns to the EU-Latin America and the Caribbean Digital Alliance in terms of: (i) bi-regional cooperation and enabling innovation in digital products and services; (ii) fostering collaboration, competitiveness, and innovation in the digital area; and (iii) enabling cooperation and access to earth observation data key for environmental resilience, emergency risk management and/or adaptation to climate. The project will support the EU Global Gateway Investment Agenda for Belize which highlights the following areas: (i) improve access to credit for MSMEs; (ii) better business and innovation climate for MSMEs; and (iii) support to women led MSMEs located in rural communities. This project builds on the IDB's experience in partnering with the EU to support small Caribbean states (such as in Jamaica, the Bahamas, and Trinidad and Tobago) with making advances in achieving strategic development objectives tied to social and environmental goals as captured in the SDGs. The program is also aligned with the following key results under the Multi-Annual Indicative Program (MIP) strategy for Belize: B.3 "Technological innovation and digitization services improved": The program focuses on strengthening the innovation ecosystem to specifically support firms with the adoption of digital technology that drives innovation and productivity outcomes; and C.2: "Indigenous entrepreneurship promoted via incubation of micro, small and medium-size enterprises for cultural, rural and eco-tourism, forests and non-timber products, food sovereignty, innovative fishing techniques and added value to fish products": Although data is limited to quantify the gap to target support to indigenous-led firms in Belize, the program will design the first digital innovation incubator in rural areas of Belize. The incubator's focus is to nurture digital solutions for MSMEs in prioritized sectors of Belize, such as tourism and agriculture. Finally, the project expects to coordinate with other donors such as the Taiwan International Cooperation and Development Fund

which financed Belize Trade and Investment Development Service's (BELTRAIDE)¹² incubator ICube (see Section IV).

IV. Description of activities/components and budget

- 4.1 Component 1. Digital transformation for firm growth and efficiency (US\$1,680,918; €1,550,000).** This component will finance activities to: (i) stimulate private sector demand for digital transformation and digital innovation; and (ii) enhance local digital capacities that lead to the following results: (a) increase in the percentage of firms that use digital payment methods; (b) increase in the average sales of MSME beneficiaries of grants; and (c) increase in percentage of firms reporting introducing innovation in methods for information processing and communication among beneficiaries.
- 4.2 Subcomponent 1.1 Demand for digital technology and innovation (US\$1,138,686; €1,050,000).** This subcomponent will support firms, especially women-led MSMEs, at their different stages of digital maturities. The TC will finance the following:
- 4.2.1** The procurement of a consultant to support BELTRAIDE in its implementation of a gender sensitized campaign primarily targeted to women-owned firms to raise awareness and generate knowledge on the importance of digital technology for resilience, competitiveness, growth, and climate action. Women-owned firms will benefit from gender specific activities such as mentorship and outreach programs. The consultant will support in developing educational materials, carrying out social media campaigns, conducting workshops and webinars and assessing the campaign's effectiveness.
- 4.2.2** The procurement of a consultancy to design, pilot and implement a program for providing grant funding^{13,14} to support digital transformation and digital innovation initiatives of selected firms. Eligibility criteria include firms registered in Belize that have completed the digital checkup. Through a Call for Proposals (CfP)¹⁵ window, the Digital Transformation Plans (DTPs) of firms eligible to receive the grants will be evaluated and ranked by a Technical Evaluation Panel (TEP)¹⁶ based on selection criteria such as: (i) results of the digital

¹² BELTRAIDE is a national economic development agency that operates within the portfolio of the Ministry of Finance, Economic development, and Investment (MFEDI). BELTRAIDE consists of four main departments: Belize INVEST; Belize Training and Employment Centre (BTEC); EXPORTBelize; and Small Business Development Centre (SBDC Belize). BELTRAIDE has implemented a number of IDB and donor financed projects.

¹³ Digital voucher programs will be implemented through certified DSPs to benefit: (i) groups consisting of 8-15 firms classified as having incipient to intermediate digital maturities with an estimated US\$2,000 in grants per firm; and (ii) individual firms classified as having an advanced digital maturity with an estimated US\$20,000 per firm.

¹⁴ See [5647/OC-BL](#) OM for further details and the Demand Analysis which determined the grant size based on the experience of similar digital voucher programs in Belize and IDB programs such as [4860/OC-JA](#).

¹⁵ The expenses under Subcomponent 1.1 and 1.2 are eligible under the EU framework given that all the beneficiaries of the CfP process will have to take into consideration the procedures for EU financed operations with Call for Proposals, Annex XII of the Operational Guidelines for EU financed operations (OP-562-7).

¹⁶ The TEP is a group of experts responsible for ranking proposals to be funded considering technical merit and availability of funds.

checkup;¹⁷ (ii) size of the firm (micro-small, medium or large); (iii) the firm's potential for growth (sales); (iv) quality and feasibility of the DTP; (v) potential impact of the project on the firm's transformation; and (vi) gender responsiveness. The digital voucher program will be implemented through BELTRAIDE -approved Digital Service Providers (DSPs)¹⁸ that will prepare DTPs to benefit three classification of firms selected by the TEP: (i) 250 micro-small firms placed in cohorts of approximately 8-15 selected micro-small firms that will be supported with an estimated US\$2,000 digital grants per firm;¹⁹ (ii) 8 selected medium sized firms classified as having an advanced digital maturity will access grants estimated at US\$20,000 per firm;²⁰ and (iii) approximately 2 selected large firms will be supported with grants valued at a maximum of up to US\$50,000 each.²¹ Additional criteria for large firms require that they match grants with a 10% copay and must directly benefit MSMEs linked to them (e.g. value chain suppliers).

4.3 Subcomponent 1.2 Digital transformation services (US\$542,232; €500,000). This subcomponent strengthens the local supply of DSPs by financing the following:

4.3.1 The procurement of a consultancy to provide technical assistance to BELTRAIDE to design and operationalize the implementation of a Mission Oriented Digital Innovation Incubator (MODII) that will target rural areas with limited connectivity and which will build on the BELTRAIDE's incubator (ICUBE)²² program to incubate innovative digital solutions for the market, including at least two competitively selected women-led entrepreneurs and startups and at least two climate driven solutions. Through the CfP window, eligible entrepreneurs or firms will submit applications that will be evaluated by the TEP based on criteria such as innovative merit of the digital solution, commercial viability, technical feasibility, impact of the project on benefits to women, climate action and other criteria set out in the CfP. At least three competitively selected entrepreneurs and startups²³ will access a maximum of

¹⁷ The Digital Checkup is a tool that allows MSMEs to measure their level of digital maturity, obtaining immediate results and personalized recommendations, to increase their technological adoption and the promotion of digital skills. The benefits that this tool presents are personalized recommendations for digital transformation, improvement of digital skills of MSMEs, facilitates coordination with the supply of locally available resources and provides information to compare digitalization progress. See link for more details: <http://digitalcheckup.carib-export.com/>.

¹⁸ DSPs are firms that provide digital services. DSPs will be certified through the Digital Cluster Program under Subcomponent 1.2 of the loan program [5647/OC-BL](#). Individual firms may choose to either access support from a local DSP or to submit the DTP directly.

¹⁹ Activities may include: (i) administrative and financial management; (ii) on-line market access and payments; (iii) client data analytics; (iv) web page and social media. Groups will be organized by the DSPs in collaboration with BELTRAIDE based on selection criteria such as the following: (i) experience of the DSP implementing relevant projects; (ii) quality and feasibility of the project proposal; (iii) gender responsiveness; and (iv) potential impact of the project on participating MSMEs in terms of growth (sales); and (v) e-commerce.

²⁰ Activities may include: (i) automation of production and logistics processes; (ii) upgrading of human resource capabilities; (iii) development of new digital based products and services; and (iv) investment in tools, software and hardware.

²¹ See [5647/OC-BL](#) Demand Analysis which determined the grant size based on the experience of digital voucher programs such as [5294/OC-UR](#) and cluster initiatives implemented in Belize.

²² BELTRAIDE launched a new incubator program, ICube, in February 2023 with financing from the Taiwan International Cooperation and Development Fund ICDF. ICube will host a Mobile Incubator Center and a Start-up Incubator Center at BELTRAIDE's SBDC office in Belize City.

²³ Startup firms are defined as firms in operation for three years or less.

up to \$100,000 in non-reimbursable grant funding (seed capital)²⁴ per firm to implement digital prototypes addressing challenges (i.e. logistics, marketing and sales, etc.) that have potential to scale. MODII will be located in the SBDC in Belize City, but its mobile digital incubator program will operate through satellite entities²⁵ to target support to women-led MSMEs and MSMEs located in rural areas of the country. 2% of the total program funding (approximately US\$200,000 of the US\$300,000 allotted) will be allocated to incubate innovative digital solutions for climate change mitigation and adaptation activities;²⁶ and

- 4.3.2 The procurement of a consulting firm to implement a demand-driven digital skills training program for advanced digital skills²⁷ such as data analytics, blockchain development, artificial intelligence, and cybersecurity that will benefit approximately 20 persons, 50% of which will be women. Eligible individuals must be Belizean.²⁸ Individuals will be evaluated, ranked and competitively selected based on criteria that will be defined in relation to the digital program, such as previous experience and an assessment to assess technical and soft skills.

- 4.4 **Component 2. Capacity Building and Technical Support (US\$325,339; €300,000).** The operation will finance technical support through the procurement of: (i) a gender specialist consultant to conduct data collection²⁹ and research on women-led-business in order to develop and implement gender-responsive initiatives that ensure greater participation of women-led entrepreneurs in the activities of the program; (ii) a consulting firm to collect and analyze data on beneficiaries of the project to support monitoring and evaluation; and (iii) a data analyst consultant to support the team in technical analysis and reporting in order to develop initiatives that ensure climate and digital adoption in the activities of the program. This consultant is expected to coordinate data collection on a centralized online platform for streamlined data capture

²⁴ See [5647/OC-BL](#) Demand Analysis for technical justification of amounts which was determined based on the experience of similar programs such as [4860/OC-JA](#).

²⁵ Three satellite entities will be selected based on the following eligibility criteria: (i) public or private entities with a mandate to support either the private sector, indigenous communities, and/or women; (ii) physical space with the capacity to host activities for at least 15 individuals, with adequate facilities, including restrooms; and (iii) reliable and high-speed internet connectivity.

²⁶ For examples, see [5647/OC-BL](#) OM and Section VI of the Climate Change Annex.

²⁷ In 2021, under the project "Innovation Platforms for Social and Economic Impact in Belize" ([ATN/CO-17566-BL](#)), the Economic Development Council (EDC) and BELTRAIDE, piloted a digital talent bootcamp for data analytics and soft skills that selected 14 participants. Upon completion, 10 participants obtained employment.

²⁸ See [5647/OC-BL](#) Operating Manual for further details on selection process and expected type of beneficiaries that will be selected to increase the Belizean human talent pool with in demand advanced digital abilities. These qualified human resources can work for government, digital service providers, offer their services to MSMEs and/ or start their own companies.

²⁹ All data collection will adhere to Belize's Data Protection Act, 2021 (see [Link](#)) and the IDB Group's Personal Data Privacy Policy.

and utilize data visualization tools such as Power BI and ensure robust data security and protection.^{30,31}

- 4.5 **Indicative Budget.** The EU, represented by the European Commission (EC), expects to commit to this project €1,979,500, which is equivalent to US\$2,146,695, based on the exchange rate 1.08446325³² as of March 28th, 2023. Final resources in US dollars will be dependent on the exchange rate of the date when the resources are received by the Bank and converted into US Dollars. If a significant adverse fluctuation in the exchange rate reduces the amount of US dollars in this budget and such amount cannot be covered by the contingency line, the project activities will be decreased appropriately and the budget will be adjusted accordingly by the project team.
- 4.6 Resources of this project to be received from the EU through a Project Specific Grant (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 in these procedures, the commitment by the EU will be established through a separate Contribution Agreement. Under such agreement, the resources for this project will be administered by the Bank and the Bank will charge a non-refundable administration fee of up to 7%³³ of the contribution, which is identified in the budget of this project. The 7% administration fee will be charged upon the Bank’s receipt of the contribution.

Indicative Budget

Activity/Component	TC Funds		Total Funding
	(US\$)	(€)	(US\$)
Component 1. Digital transformation for firm growth and efficiency	1,680,918	1,550,000	1,680,918
Subcomponent 1.1 Demand for digital technology and innovation	1,138,686	1,050,000	1,138,686
Consultancy to carry out gender sensitized digital awareness campaign	54,223	50,000	54,223
Consultancy to design and implement Voucher Grant Funding Mechanism	1,084,463	1,000,000	1,084,463
Subcomponent 1.2 Digital transformation services	542,232	500,000	542,232

³⁰ This component will enhance institutional capabilities at the CEU and BELTRAIDE in data collection which is critical for Monitoring and Evaluation (M&E). This component builds on previous M&E support ([ATN/OC-19264-BL](#)) for the design of a Monitoring, Evaluation, Accountability, and Learning (MEAL) strategy that assists the CEU and its Technical Units in conducting real-time monitoring and periodic reporting and evaluation of the loan program [5647/OC-BL](#). Additionally, this component complements the broader loan portfolio MEAL strategy framework for the CEU by strengthening current capacities to ensure sustained impact assessments beyond the project completion of this project.

³¹ Data collected under this component is complementary to various initiatives for data collection for MSMEs that are ongoing at the Bank level (i.e. the IFPG firm level dataset).

³² https://commission.europa.eu/funding-tenders/procedures-guidelines-tenders/information-contractors-and-beneficiaries/exchange-rate-infoeuro_en

³³ The General Conditions of the FFPA indicates that remuneration shall be declared on the basis of a flat-rate which shall not exceed 7% of the total eligible direct costs to be reimbursed by the Contracting Authority. The remuneration does not need to be supported by accounting documents.

Consultancy for the development and operationalization of Mission Oriented Digital Innovation Incubator	325,339	300,000	325,339
Consultancy for the design and implement digital skills program	216,893	200,000	216,893
Component 2. Capacity Building and Technical Support	325,339	300,000	325,339
Consultancy for Gender Specialist to provide technical support on gender and social issues	162,669	150,000	162,669
Consultancy for the collection and analysis of data on beneficiaries of the project to support monitoring and evaluation	86,757	80,000	86,757
Consultancy for Data Analyst to provide technical support	75,912	70,000	75,912
Total	2,006,257	1,850,000	2,006,257
Administration Fees	140,438	129,500	140,438
Total + Administration Fees	2,146,695	1,979,500	2,146,695

V. Executing agency and execution structure

- 5.1 The Central Executing Unit (CEU) at the Ministry of Finance, Economic Development and Investment (MFEDI) will be responsible for the execution of the TC with direct technical supervision by the Bank through the Competitiveness, Technology, and Innovation Division (IFD/CTI). The Unit of Disbursement Responsibility (UDR) will be the Country Office in Belize (CID/CBL). The CEU is a recently established unit of the MFEDI³⁴ responsible for the coordination and implementation of externally funded projects. The centralized unit offers in-house expertise in procurement, financial, monitoring, evaluation. The CEU, which has approximately one year experience executing loan programs, such as BL-L1039, will be responsible for project management, fiduciary, procurement, monitoring, and evaluation functions as well as institutional coordination with government units such as BELTRAIDE and the E-Governance and Digitalization Unit (of the Ministry of Public Utilities, Energy, Logistics, and E-Governance).
- 5.2 The IDB and the EU will establish a participation mechanism to oversee the strategic development of the program: A Strategic Monitoring Committee (SMC), in which the IDB, the CEU and the EU will meet at least twice a year (or more as deemed necessary) to discuss the program's progress and to ensure compliance with the EU and IDB's fiduciary obligations. The Executing Agency (EA) will act as a secretary to the SMC and is responsible for coordinating the operation of the SMC; generating all

³⁴ The MFEDI is responsible for: (i) coordinating and implementing the government's economic and fiscal policies and programs including the generation and allocation of financial resources to provide appropriate public services and to contribute to the overall development of Belize; and (ii) providing efficient and timely advice on and coordinating development initiatives in order to improve the general well-being of all Belizeans which includes the formulation and inputs on national development policies, strategies and programs to promote macroeconomic stability, sustainable socioeconomic development and the reduction of poverty.

required reports to report on the progress of activities, program allocation, and annual plans; distributing invitations to SMC members indicating the issues to be addressed during the meeting; and drafting minutes, which must contain all of the agreements reached during the session, their contents, the opinions presented. The SMC takes decisions by consensus.

- 5.3 **Procurement.** The procurement of works, goods, services and consultancy services shall be done in accordance with Bank's policies for the procurement of goods and works (GN-2349-15) and for the selection and contracting of consultants (GN-2350-15), in accordance with the 2020 EU-IDB Financial Framework Partnership Agreement (FFPA) which establishes exceptions to such policies (approved by the Bank under the "Proposal for the FFPA between the European Commission and the Inter-American Development Bank" [GN-2605-5, paragraphs 4.14 and 4.15]) in order to: (i) allow goods, works or services originating from or rendered by nationals from IDB non-member countries be eligible for procurement activities under this operation, provided that the country of origin of the goods and the nationality of the suppliers, contractors and service providers is recognized as eligible by the EU under its applicable regulations. The EU publishes the list of eligible countries (or any updates thereto) as an annex to the "Practical Guide to Contract Procedures for EU External Actions" (PRAG), which is available on its Internet website; (ii) extend the retention period of project documentation required for executing agencies and the Bank, from three years to five or more years; and (iii) prevent awarding contracts to entities, individuals or groups of individuals subject to restrictive measures.
- 5.4 **Reporting and Communications.** The project team will be responsible for preparing and sending project reports to the donor, according to the stipulations of the Contribution Agreement. The project has allotted funding to ensure the visibility of the EU funding received. Among other aspects, an Operating Manual will describe the type and general eligibility criteria of beneficiaries of the project.

VI. Major issues

- 6.1 The medium-high risk preliminarily identified with this project is related to the institutional capacity of BELTRAIDE to implement the technical responsibilities for Subcomponents 1.1 and 1.2 given that BELTRAIDE is also responsible for three other Bank-financed loan operations, in addition to its day-to-day mandate. To mitigate this risk, this TC provides technical support for implementation, as described under Component 2. In addition to the prior, a Memorandum of Understanding (MOU) has been signed between BELTRAIDE and the CEU that establishes a coordination mechanism that includes periodic technical meetings, agreed timetables, and shared control panels to monitor progress. It also allows government officials, including high-level authorities, to participate and actively monitor the progress of activities and identify and manage risks, delays, or any other impediments that may hinder the development and implementation of activities under this complementary technical cooperation and loan program. In addition, dialogue with the government is required to propose an increase staffing at BELTRAIDE to ensure the timely execution and developmental impact is achieved of the program. The IDB will provide training to manage and implement.

VII. Exceptions to Bank policy

- 7.1 No exceptions to Bank policy are envisioned.

VIII. Environmental and Social Aspects

- 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 Bank's Environmental and Social Policy Framework (ESPF).

Required Annexes:

[Request from the Client - BL-T1171](#)

[Results Matrix - BL-T1171](#)

[Terms of Reference - BL-T1171](#)

[Procurement Plan - BL-T1171](#)