

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**BELIZE**

**SUSTAINABLE AND INCLUSIVE BELIZE**

**(BL-L1041; BL-J0003)**

**LOAN AND NONREIMBURSABLE FINANCING PROPOSAL**

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## CONTENTS

<b>PROJECT SUMMARY.....</b>	<b>1</b>
<b>I. PROJECT DESCRIPTION AND RESULTS MONITORING.....</b>	<b>2</b>
A. Background, problem addressed, and justification .....	2
B. Objective, components, and cost .....	13
C. Key results indicators.....	17
<b>II. FINANCING STRUCTURE AND MAIN RISKS.....</b>	<b>18</b>
A. Financing instruments.....	18
B. Environmental and social safeguard risks .....	20
C. Fiduciary risk .....	21
D. Other risks and key issues .....	21
<b>III. IMPLEMENTATION AND MANAGEMENT PLAN .....</b>	<b>22</b>
A. Summary of implementation arrangements.....	22
B. Summary of arrangements for monitoring results.....	24

ANNEXES	
Annex I	Summary Development Effectiveness Matrix (DEM)
Annex II	Results Framework
Annex III	Fiduciary Arrangements

REQUIRED ELECTRONIC LINKS (REL)	
REL#1	<a href="#">Pluriannual Execution Plan (PEP) / Annual Operational Plan (AOP)</a>
REL#2	<a href="#">Monitoring and Evaluation Arrangements</a>
REL#3	<a href="#">Environmental and Social Review Summary (ESRS)</a>
REL#4	<a href="#">Procurement Plan</a>

OPTIONAL ELECTRONIC LINKS (OEL)	
OEL#1	<a href="#">Bibliographic References</a>
OEL#2	<a href="#">Design Tourism Sector</a>
OEL#3	<a href="#">Design Agriculture Sector</a>
OEL#4	<a href="#">Design Skills Development</a>
OEL#5	<a href="#">Gender, Youth, Indigenous People Assessment</a>
OEL#6	<a href="#">Climate Change</a>
OEL#7	<a href="#">Migration Eligibility</a>
OEL#8	<a href="#">Detailed Strategic Alignment</a>
OEL#9	<a href="#">Bank's Experience</a>
OEL#10	<a href="#">Implementing mechanisms for TA and vouchers in agriculture</a>
OEL#11	<a href="#">Ex Ante Economic Analysis</a>
OEL#12	<a href="#">Demand Analysis</a>
OEL#13	<a href="#">Budget per Output</a>
OEL#14	<a href="#">Project Operating Manual</a>
OEL#15	<a href="#">Complementary Strategy for 2022 Pipeline</a>
OEL#16	<a href="#">Safeguard Policy Filter (SPF) and Safeguard Screening Form (SSF)</a>

ABBREVIATIONS	
BELTRAIDE	Belize Trade and Investment Development Service
BMDC	Belize Marketing and Development Corporation
BTB	Belize Tourism Board
CC	Climate Change
CRIS	Climate Risks Information System
E&S	Environmental and Social
EA	Executing Agency
ESRS	Environmental and Social Review Summary
ESPF	Environmental and Social Policy Framework
EU	Executing Unit
FG	Farmers Group
GABP	Green Agri-Business Plan
GDP	Gross Domestic Product
GIV	Green Innovation Voucher
GRF	IDB Grant Facility
Ha	Hectare
IDB	Inter-American Development Bank
IE	Implementing Entity
IRR	Internal Rate of Return
LAC	Latin America and the Caribbean
MAFSE	Ministry of Agriculture, Food Security and Enterprises
MFEDI	Ministry of Finance, Economic Development & Investment
MSMEs	Micro Small and Medium-sized Enterprise
MTDR	Ministry of Tourism and Diaspora Relations
NGOs	Non-Governmental Organization
OECD	Organisation for Economic Cooperation and Development
PEU	Project Executing Unit
POM	Project Operating Manual
STBP	Sustainable Tourism Business Plan
TA	Technical Assistance

**PROJECT SUMMARY**  
**BELIZE**  
**SUSTAINABLE AND INCLUSIVE BELIZE**  
**(BL-L1041; BL-J0003)**

Financial Terms and Conditions				
Borrower / beneficiary of the IDB Grant Facility (GRF):		Flexible Financing Facility <sup>(a)</sup>		Nonreimbursable financing (GRF)
Belize		Amortization Period:	25 years	N/A
Executing Agency:		Disbursement Period:	5 years	
Ministry of Finance, Economic Development and Investment (MFEDI)		Grace Period:	5.5 years <sup>(b)</sup>	N/A
Source	Amount (US\$)	Interest rate:	SOFR Based	N/A
IDB (ORC) – BL-L1041:	15,000,000	Credit Fee:	<sup>(c)</sup>	N/A
IDB (GRF) – BL-J0003: <sup>(d)</sup>	800,000	Inspection and supervision fee:	<sup>(c)</sup>	N/A
Local:	0	Weighted Average Life (WAL):	15.25 years	N/A
Total:	15,800,000	Currency of Approval:	Dollars of the United States of America	
Project at a Glance				
<b>Project Objective/Description.</b> The general objective of this operation is to improve incomes and promote sustainable livelihoods in the agriculture and tourism sectors. The specific objectives are to improve Micro Small and Medium-sized Enterprises (MSMEs) competitiveness, climate resilience, and environmental sustainability.				
<b>Special Contractual Clauses prior to the first disbursement:</b> The Borrower, through the Executing Agency (EA), shall provide evidence that: (i) the key staff of the Executing Unit (EU) has been appointed, including its Project Manager, Procurement Specialist and Financial Specialist; and (ii) the Project Operations Manual ( <a href="#">POM</a> ) for the project has been approved, in the terms agreed with the Bank. Additionally, see the environmental and social commitments described in Annex B of the Environmental and Social Review Summary (ESRS) ( <a href="#">Required Electronic Link - REL#3</a> ) (¶3.3).				
<b>Special Contractual Clauses of execution:</b> (i) Prior to awarding contracts for the execution of Sub-component 1.3 and of tourism components of Outputs 2.3 and 2.4, an inter-institutional agreement will have to be signed between EA, Ministry of Tourism and Diaspora Relations (MTDR) and the Belize Tourism Board (BTB), establishing the responsibilities of each entity in project implementation; (ii) Prior to awarding contracts for the execution of Sub-components 1.1 and 1.2. and of agriculture components of Outputs 2.3 and 2.4, an inter-institutional agreement will have to be signed between EA, Ministry of Agriculture, Food Security and Enterprises (MAFSE) and Belize Marketing and Development Corporation (BMDC), establishing the responsibilities of each entity in project implementation; (iii) Prior to awarding contracts for the execution of Output 2.2 “Climate and Environmental Risks Information System”, an inter-institutional agreement will have to be signed between the University of Belize and the National Climate Change Office, establishing the responsibilities of each entity in project implementation (¶3.4).				
<b>Special disbursement:</b> Notwithstanding the special contractual clauses, once the Loan Contract has entered into effect and the Borrower has fulfilled the conditions prior to the first disbursement set forth in the General Conditions of the Loan Contract, the Bank may disburse to the Borrower up to the amount of US\$50,000 from the resources of the loan to hire the Project Coordinator, and the Project Procurement and Financial officers withing the Project Executing Unit (PEU) (¶3.5).				
<b>Exceptions to Bank Policies:</b> None				
Strategic Alignment				
<b>Challenges<sup>(e)</sup>:</b>		SI <input checked="" type="checkbox"/>	PI <input checked="" type="checkbox"/>	EI <input checked="" type="checkbox"/>
<b>Cross-Cutting Issues<sup>(f)</sup>:</b>		GE <input checked="" type="checkbox"/> and DI <input checked="" type="checkbox"/>	CC <input checked="" type="checkbox"/> and ES <input checked="" type="checkbox"/>	IC <input checked="" type="checkbox"/>

- <sup>(a)</sup> Under the Flexible Financing Facility (document FN-655-1), the borrower has the option to request modifications to the amortization schedule, as well as currency, interest rate, commodity, and catastrophe protection conversions. In considering such requests, the Bank will take into account operational and risk management considerations.
- <sup>(b)</sup> Under the flexible repayment options of the Flexible Financing Facility (FFF), changes in the grace period are possible as long the Original Weighted Average Life (WAL) and the last payment date, as documented in the loan agreement, are not exceeded.
- <sup>(c)</sup> The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors during its review of the Bank's lending charges, in accordance with the relevant policies.
- <sup>(d)</sup> Nonreimbursable financing. The GRF is the IDB Grant Facility: Support to Countries with Large and Sudden Intraregional Migration Inflows. According to document GN-2947-6, the financing structure of the IDB for this operation includes a combination of a maximum of 20% nonreimbursable (GRF) and 80% reimbursable (Ordinary Capital) resources. The GRF resources will be disbursed simultaneously with and in proportion to the Ordinary Capital loan proceeds.
- <sup>(e)</sup> SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).
- <sup>(f)</sup> GE (Gender Equality) and DI (Diversity); CC (Climate Change) and ES (Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

## I. PROJECT DESCRIPTION AND RESULTS MONITORING

### A. Background, problem addressed, and justification

- 1.1 During the last decade, Belize's economy grew slowly, with Gross Domestic Product (GDP) increasing by 2.2% annually, and average per capita income declining by 0.4% per year. Social indicators deteriorated as well. The poverty rate rose from 41% in 2009 to 52% in 2018, and the Gini coefficient increased from 0.38 in 2009 to 0.49 in 2018. Further, the country was one of the most highly impacted economies by COVID-19 in the world. The GDP contracted by 16.7% in 2020, unemployment increased from 7.7% to 13.7% and labor force participation deteriorated from 70.1% to 55.1% in 2020 and 2021 (IDB, 2020<sup>1</sup>; IMF, 2021; SIB, 2021a; SIB, 2021b). The Belizean economy has begun to recover strongly following the devastating impact of the pandemic, GDP growth was 12.5% for 2021 and forecasted at 6.5% for 2022 (IMF, 2022). In 2021, unemployment was reduced to 9.2% and labor force participation also improved 62.4%, largely due to the gradual recovery of the tourism industry. Nevertheless, uncertainties and risks remain, including the ongoing health crisis, the occurrence of natural disasters and heightened inflation.
- 1.2 Belize's economy is highly concentrated in two sectors: tourism and agriculture. In 2019, tourism contributed to 39% of GDP, 40% of total employment - primarily generated by Micro Small and Medium-sized Enterprises (MSMEs)<sup>2</sup> - and 42% of total exports. Agriculture accounted for more than 10% of GDP, 16.8% of employment, and 93% of goods exports in 2019 (70% driven by MSMEs). Both sectors are facing important and similar challenges that undermine their competitiveness and sustainability.
- 1.3 **Tourism.** Belize received 1.7 million international arrivals in 2019. The sector was hit hard by the pandemic, with a reduction of overnight tourist in 2020 of - 71.4% (Americas average was -68%). The country has 3,166 active tourism enterprises, primarily MSMEs with an average of seven employees. The tourism sector presents one of the lowest labor productivities in the region,<sup>3</sup> only above El Salvador, Honduras, Nicaragua, and Haiti. This low productivity is associated with: (i) lack of diversification and high concentration on cruise tourism, which represents 70% of the visitors and characterized by a low level of expenditures;<sup>4</sup> (ii) a limited average length of stay per tourist, which is about half of Costa Rica's and 26% less than the Dominican Republic; (iii) low occupancy rate of 36% (international studies suggest that accommodations need to have around 60% of annual occupancy rate to guarantee adequate investments); and

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<sup>1</sup> See detailed references in [OEL#1](#).

<sup>2</sup> According to Beltraide and the Statistical Institute of Belize, Micro Small and Medium-sized Enterprises (MSMEs) are approximately 17,000 firms (98% of total enterprises), that contribute to 45% of GDP and 32% of total employment (70% of private-sector employment). The Beltraide Act No50 of 2017 establishes ranges to define Small and Medium Enterprises.

<sup>3</sup> Estimated as the ratio Tourism GDP/Number of tourism employees,

<sup>4</sup> The average daily cruise passenger-only spends US\$78, while the overnight tourist spends \$159/day (BTB 2019).

(iv) heavily dependency on few international markets, with arrivals mainly comprised of visitors from the United States and Canada (72%) ([OEL#4](#)).

- 1.4 The sector is also threatened by the degradation of the natural resources which is the main tourist attraction of the country. It is estimated that Belize's coral reef and mangroves provide goods and services of around US\$559 million annually (Cooper et al., 2009). In particular, those ecosystems support activities such as diving, snorkeling, and sport fishing,<sup>5</sup> with 64% of overnight stays attributed to coral beaches, reefs, and mangroves (Ruiz de Gauna et al., 2021). Moreover, the concentration of the tourism footprint in a limited number of hot-spot destinations<sup>6</sup> in the coastal area has contributed to the degradation of natural resources (Chow, 2019; IDB, 2020). This situation is aggravated by insufficient solid waste/plastic management,<sup>7</sup> as well as nitrogen enrichment from land-based sources like sewage and agriculture run-off, that are significantly driving macroalgal blooms to increase on the Belize Barrier Reef, causing massive decline in hard coral cover (Lapointe et al., 2021).
- 1.5 Diversifying the current tourism model and markets, including harnessing the potential of local and regional tourism, is required to increase the sector's productivity, environmental sustainability and resilience (Chow, 2019; IDB, 2021). In this context, it is essential to address the barriers that impede local entrepreneurs from reaching this objective. These include:
  - a. **The lack of market information to support MSMEs investment decisions.** Belize Tourism Board (BTB) generates useful tourist demand analysis and reports but not of demand trends and the potential of different tourism segments with the level of granularity and periodicity required to inform MSMEs investments decisions (IDB, 2020).
  - b. **Liquidity constraints and limited access to finance.** 63.6% of firms in Belize state that access to finance is a major constraint, compared with 2.2% for Latin America and the Caribbean and 12.1% for Organisation for Economic Cooperation and Development (OECD) countries, being most of the firms MSMEs from the tourism sector (IDB, 2021). The low levels of capitalization and the lack of guarantees and collateral which characterizes the SMEs, contribute to this limited access to credit.
  - c. **Important knowledge and skill gaps.** In Belize, less than 20% of workers completed secondary education in three out of six districts of the country - the remaining districts register a 30% by 2017. In addition, most training institutions lack established mechanisms to identify the skills required by the labor market (Villarzú et al., 2018) in business management, customer service, and green tourism. Based on structured interviews with employers registered in the Belize Chamber of Commerce and Industry, a study found that management and social skills (such as communication and teamwork) are lacking in the sector (Näslund et al., 2020).

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<sup>5</sup> They also provide shoreline protection against erosion and coastal flooding.

<sup>6</sup> Ambergris Caye, Caye Caulker, Lighthouse Reef Atoll and the Blue Hole, Placencia peninsula.

<sup>7</sup> Seventy percent of the litter in beaches is made of plastic pieces, polystyrene (Styrofoam), bottle caps and lids, bottle glass, water bags, snack wrappers and chips bags (CEFAS, 2019).

- 1.6 **Agriculture.** Agriculture is a major source of income for Belizeans, especially low-income households (Hersh et al, 2019). This sector plays a crucial role in fighting rural poverty, which is more acute than in urban areas (59% vs 43% – SIB, 2018). Most of the 19,000<sup>8</sup> Belizean farmers are small to medium size landholders: 25% are working on farms with less than 2 Ha, and 57% with less than 8 Ha, mainly cultivating corn, beans, fruits and vegetables, plantains, and root crops. The sector faces several competitiveness challenges, including: (i) low productivity per hectare of cultivated land, compared to LAC average for most of the agricultural products cultivated (Table 1); (ii) high post-harvest losses (sometimes up to 35-40% of production), especially due to lack of planting/harvesting planning and crop diversification which leads to overproduction of certain crops; lack of storage facilities as only 2% of harvested production is stored; and lack of processing strategies to increase value added, as only 1.7% of farmers are engaged in agro-processing (Praxy5, 2021); (iii) high production costs, due to, among other factors, overconsumption of costly synthetic inputs;<sup>9</sup> (iv) low export diversification, limited to a set of commodities (sugar, banana, citrus represent 86% of total agricultural exports – MFASE, 2022) produced by the biggest farmers, with low value-added, and increasingly vulnerable to price fluctuations (Foster et al, 2017; IDB, 2020); and (v) low levels of market standards, as farmers face increasing difficulties to meet a more sophisticated demand, including from the tourism industry where most of the food is imported<sup>10</sup> ([OEL#3](#)).

**Table 1 - Yields of main crops\* (kg/ha)**

	Sugarcane	Corn	Citrus	Bean	Rice	Banana	Cacao	Coconut
<b>Belize</b>	38,460	3,582	7,548	1,047	4,525	30,432	260	1,534
<b>LAC</b>	73,199	5,378	21,382	970	5,916	23,192	537	9,844

\* Source: FAO STAT, 2022

- 1.7 The agricultural sector also faces important climate and environmental challenges. In 2018, farmers faced estimated agricultural losses of US\$1.9 million due to flooding, while in 2019, a severe drought caused US\$38.5 million estimated losses (MAFSE, 2019). In 2020, economic damages of Hurricane Nana caused significant damages to the sector estimated in US\$6-10 million, while hurricanes Eta and Iota also caused significant flooding damages (IDB, 2020). Climate change projection models suggest that suitable areas and yields of beans, corn and vegetables, sugarcane, tropical fruits, rice, and cacao will be significantly reduced. In fact, corn production may become unfeasible without irrigation (IFPRI, 2015). Because of the negative CC (Climate Change) impacts on agriculture, it is estimated that Belize will be the most affected country of LAC in terms of poverty (+1.28%), crop imports

<sup>8</sup> 14,000 farmers currently registered in the Belize Agriculture Information Management System and estimated 5,000 nonregistered farmers (BAIMS and Agriculture Census, 2011).

<sup>9</sup> Fertilizers, herbicides, insecticides, and fungicides represent 74% of total value of agriculture imports. Belize is one of the countries with the highest level of fertilizer imports per cultivated hectare in LAC (8 of 32 countries), importing 251 tons of fertilizers per 1,000 hectares in 2021, while fertilizer prices was tripling the same year during 2021 (Torero, 2022).

<sup>10</sup> The [Tourism Consumption Study \(2018-2019\) on Ambergris Caye](#) estimates that for the period September 2018- August 2019, the restaurants in this highly-touristic island consumed the equivalent of 7% of the national consumption of top 12 agriculture products (for an amount of approximately US\$1.5M), with half of them mostly imported while already produced in Belize (but not meeting the demand's calendar, volumes and quality standards).



(+13.5%) and decrease in GDP (-1.8%) (Banerjee et al, 2021). Furthermore, the sector is a key driver of environmental damage. With a low 21,5/100 score<sup>11</sup> (regional average: 32.7/100), Belize ranks 147 of 180 countries in the Agriculture category (combination of Sustainable Nitrogen Management Index” and “Sustainable pesticide use”) of the [Yale Environment Performance Index 2022](#), that measures efforts to support healthy populations while minimizing the threats of agriculture to the environment. And according to [Global Forest Watch](#), from 2001 to 2021, Belize lost 57% of its tree cover, almost exclusively because of shifting agriculture and the expansion of commodities.

1.8 In this context, it is key to promote profitable, environmentally sustainable and climate resilient farming systems. However, many barriers hinder the adoption of innovative, green, climate-smart agricultural practices and technologies by farmers, including:

- a. **Lack of information on market opportunities and requirements to meet high quality standards.** Interviews with stakeholders (Praxy5, 2021) revealed that this topic is one of the farmers’ five main challenges.
- b. **Liquidity constraints and difficult access to credit.** Credit to the agricultural sector remains under 9% of total loans, with 72.5% of total agricultural credit allocated to large sugarcane, banana and citrus growers only ([OEL#3](#); Praxy5, 2021).
- c. **Low technical and managerial knowledge and skills.** Between 2018 and 2021, only 21% of households had received training or technical advice in climate-smart technologies or practices, and only 17.6% regarding environmental practices.
- d. **Low associativity.** About 90% of farmers do not belong to any type of organized association (Praxy5, 2021) and there is low formalization of the existing groups (only 4% of farmers belong to a formal association – [OEL#3](#)).

1.9 **Institutional framework.** The institutional framework is comprised of:

- a. **Tourism.** The Ministry of Tourism and Diaspora Relations (MTDR) is responsible for the strategic direction, governance, and oversight of the tourism industry - and the BTB - the legislated statutory body designed to govern, enhance, and promote the Belize tourism products, are the leading institutions in the sector. With the Bank’s support (3566/OC-BL, 2015, US\$15,000,000), both institutions have gained important experience in managing programs to support MSMEs’ development.
- b. **Agriculture.** The Ministry of Agriculture, Food Security and Enterprises (MAFSE) is the institution responsible of engendering a conducive environment for the development of a competitive, diversified, and sustainable agriculture and food sector. Under the MAFSE, the Belize Marketing and Development Corporation (BMDC) is a statutory body, responsible of providing marketing services for small agribusinesses. Due to

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<sup>11</sup> Score of 0 = worst performance.

limited resources, these institutions face important challenges that hinder the provision of public services to farmers (for instance, the extension service counts with only 24 professionals, and the Department of Cooperatives with only 13, to attend farmers and associations countrywide). However, in recent years, the creation of the Belize Agricultural Information Management System (BAIMS) that counted with Bank's support ([ATN/OC-1506-BL](#), 2015, US\$350,000), and of [Agrilinks](#) (Belize's first virtual agricultural marketing platform, serving as a virtual market space for farmers and agro processors to interact with buyers) represent important progress.

- c. **Business development.** The Belize Trade and Investment Development Service (BELTRAIDE) is a statutory body whose Small Business Development Centre is recognized for the support brought to MSMEs and represents a strategic partner for skills development.

- 1.10 **Skills gaps between the demand of skills required by the economy and business and the supply of those skills ([OEL#4](#)).** In addition to the workforce's low educational attainment, there are no established mechanisms nor institutionalized strategy to identify the skills requirement by the private sector in the country, nor public registry of the performance of training providers (Amaral et al., 2017). This translates into low accountability and information asymmetries for individuals seeking training. Furthermore, there is a lack of coordination between stakeholders, training needs, beneficiaries, training providers, ministries, Non-Governmental Organizations (NGOs), and private and public associations. National information systems and employers' organizations provide relevant and timely information in other countries (Dunbar, 2013). However, in Belize there is no regular interaction between employers and training institutions (only 34% of firms have ever collaborated with a training institution, and only 41% of firms have ever been contacted to collect information skills about their needs) (Näslund et al, 2020). Moreover, there is no institution or entity that oversees skills development in Belize to respond to the changing needs of the sectors or an institution that centralizes the interactions between relevant stakeholders. In this context, a skills development ecosystem would play a key role for the labor market.
- 1.11 **Gender, Youth and Diversity Gaps ([OEL#5](#)).** Belizean women have a significantly higher unemployment rate than men (14-18% and 5-6%, respectively, depending on the education level), they are paid less for the same work (gender gap can reach 28% for lower education levels), and have lower labor participation than men (52.2% compared to 83.8%) (Näslund et al, 2020; WEF, 2021). In 2018, Belize's youth unemployment rate (20.6%) was 3.5 times the unemployment rate for Belizean workers 25 and older. Regarding diversity gaps, the Maya and Garifuna are more affected by poverty (rates at 77% and 52%, respectively) than other ethnic groups ([SIB, 2018](#)), and Mayan workers with higher education receive lower wages than Creole workers with the same education. Access to skill development opportunities witnesses inequalities, with low-skilled workers overrepresented among certain ethnic groups (Näslund et al, 2020).
- 1.12 **Migrants in Belize.** Approximately 13.4% of Belize's population and 17.4% of its labor force was born in El Salvador, Guatemala, and Honduras (SIB, 2021). While

the unemployment rate is lower for migrants (4.64%) than Belizeans (10.11%), underemployment is higher (18.9% vs 16.8%, [SIB, 2021]). After years of sustained large migration inflows, Belize is currently undergoing a historic amnesty process after which an estimated 40,000 to 60,000 migrants would be regularized by 2023 (Ministry of Immigration, 2022), and consequently, a significant number of migrants would have access to formal labor markets. Migrants mostly work in the agriculture sector (39%) while 5% is employed in the tourism sector. Only 31% has completed primary education and 59.8% has no specific business skills. 57.3% of migrants identify language problems one of their main barriers to integration in Belize, while 90.8% speak Spanish as their main language at home (Usher, 2022).

1.13 **Strategic focus.** Since Belize's two main economic drivers and key providers of jobs and incomes are natural capital-based sectors, intimately reliant on the good state of the country's natural resources, a two-prong strategy is proposed. In the short-term, Technical Assistance (TA), training and grants will support MSMEs competitiveness and then the improvement of incomes and livelihoods in the tourism and agriculture sectors, with a particular focus on vulnerable categories of population. In the medium and long terms, by financing direct investment in green agriculture and tourism and fostering an enabling environment for sustainable development, the Project will contribute to maintain the long-term attractiveness of natural assets, essential to preserve the future of the tourism industry, and the productiveness of natural capital, that is the basis of agricultural activities.

1.14 **Empirical evidence.** There is ample literature that provides evidence on the effectiveness of interventions that aim to reduce liquidity constraints (i.e., vouchers and matching grants), increase skills development, improve access to markets, and promote climate-smart and environmentally sustainable practices in both agriculture and tourism sectors:

a. **Increasing income and market access through vouchers, matching grants and associativity.**

(i) **Tourism.** The Bank has broad experience in the implementation of matching grants in the tourism sector. For instance, an impact evaluation of a tourism project in Argentina, that included matching grants for financing business plans, presents evidence of gains in employment (11% annual increase) and wages in the sector (Castillo et al., 2015). A study conducted in Italy, that aims to evaluate the impact of public subsidies to tourism firms, show higher output and employment growth on beneficiary firms (Bernini and Pellegrini, 2013). Also, in Croatia, an impact evaluation implemented to measure the causal effect of matching grants allocated to MSMEs, confirm that treated firms increased sales, value added and employment, particularly those located in attractive destinations with high tourism demand (Srhoj et al., 2021). Overall, these results find heterogeneous effects by region.

(ii) **Agriculture.** The Bank has financed more than 20 projects ([OEL#9](#)) aimed to promote the adoption of environmentally and/or climate-friendly technologies/practices through vouchers and matching-grants. In Bolivia, the impact evaluation of the Direct Supports for the Creation of Rural Agrifood Initiatives ([2223/BL-BO](#)) confirms that vouchers to finance

access to agricultural technologies increased farmers' income by 36% and productivity by 92% (Salazar et al, 2015). In the Dominican Republic, the results of the impact evaluation of the Program in Support of Subsidies for Innovation in Agricultural Technology ([2443/OC-DR](#)) confirm that livestock producers who adopted pasture improvement technologies through vouchers, increased income by 12% while agricultural producers increased agricultural diversification towards higher value crops (Aramburu et al., 2019). Similar results were found with the Environmental Program for Disaster Risk and Climate Change Management ([2415/BL-NI](#)) (González & Le Pommellec, 2019) and the Social Environment for Forestry Development II - POSAF II ([1084/SF-NI](#)) (De Los Santos-Montero & Bravo-Ureta, 2017). In Honduras, the impact evaluation of the Rural Business Development Program (PRONEGOCIOS) ([1919/BL-HO](#)) presents evidence of an increase in the annual income of US\$662 per beneficiary producer, generated by the development and implementation of Sustainable Business Plans through associations of eligible producers (Bravo-Ureta, 2015). Similarly, an impact evaluation of the Project to Integrate Small Producers into the Wine Production Chain ([2086/OC-AR](#)) which financed the promotion of associativity and the implementation of business plans for small grape producers, showed an increase in production of 9.4%. A review of 239 studies carried out in 24 countries confirms that services offered to improve articulation with markets by producer associations (e.g., marketing, market information, transportation, storage, etc.) have a positive impact on income, yields and product quality (Bizikova et al, 2020).

**b. Skills Development and Technical Assistance**

- (i) **Tourism.** Tourism programs that supported professional training and long-term technical skills to improve access to information and knowledge, as well as business and labor formalization, were proved to be effective (Jamieson, 2004; Kubsa, 2007; Weru, 2007; Armstrong, 2012, Compete Caribbean et al., 2019; Garcia Lucchetti and Font, 2013; Farfan, 2020). Training, formalization, and quality improvement of precarious tourist services can improve the profitability of informal enterprises. In fact, an ex-post evaluation of a program in The Gambia identified income increases between 18% and 33% (Bah and Goodwin, 2003).
- (ii) **Agriculture.** A study conducted in LAC shows that the Internal Rate of Return (IRR) of public agricultural investment in rural extension services is on average 46% (Mogues et al., 2012). Also, a review of nearly 18,000 studies found that TA and extension services are key to promoting technological adoption and sustainable environmental practices (Piñeiro et al., 2020). In Tanzania, integrating agricultural training with enterprise training helped women smallholders to manage and market their farm production more effectively, to take advantage of new agricultural opportunities, and to diversify income (Chegere et al, 2022). Similar results are found in a project financed by the Bank in Nicaragua, where women who received technological livestock packages

along with technical and managerial training increased income, agricultural production, and empowerment (Salazar et al., 2018). Also, international evidence highlights the importance of developing a skills development ecosystems that: (i) ensures the quality and relevance of the training, promoting its continuous improvement and updating it according to the skills needed in the country; (ii) guarantees resources to finance the skill programs and its sustainability; and (iii) ensures strong collaboration between public and private sector stakeholders, the civil society, training entities systems and coordinates with economic development policy (Amaral, et al 2017). The most successful skill systems in the world have sector bodies, consortiums or organizations that represent the industries in the skills ecosystem. These bodies, often referred as sector skills councils, ensure training quality by setting occupational standards and developing curricula and assessment methodologies, among other functions (OECD, 2019; Amaral et al., 2017).

c. **Climate Change and Environmental Sustainability**

- (i) **Tourism.** Various studies find that tourism environmental certifications have economic benefits. An evaluation of the "Blue Flag" certification initiative for tourist beaches in Costa Rica found a positive impact in promoting of new tourism investments (Blackman et al., 2012). Similarly, a study that compares the attractiveness of certified Italian provinces with the Blue Flag showed similar results, suggesting that certification positively affects the decisions of foreign visitors (Carpacci et al., 2015). Also, LEED hotels in the United States were found to outperform their competitors with higher daily prices and revenue per room (Walsman et al., 2014).
- (ii) **Agriculture.** A considerable body of scientific evidence shows that environmentally friendly agriculture fosters biodiversity and provides a wide range of key ecosystem services, increases agricultural productivity, improves households' food security and nutrition, improves climate resilience and mitigates climate change by sequestering carbon in aerial biomass and soils (Dainese et al., 2019; Kerr et al, 2021; Leippert et al., 2020; Nicholls et al., 2017; Snapp et al., 2021; Tamburini et al., 2020). Climate-Smart Agriculture also has a significantly positive impacts on farmers' welfare and income (Agbenyo et al, 2022; Mujeyi et al, 2021).<sup>12</sup>

1.15 **Lessons learned.** The operation considers the experience of other IDB-financed projects ([OEL#9](#)). The lessons learned are summarized in Table 2.

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<sup>12</sup> The IDB Lab-financed "Enhancing Conservation in Belize's Protected Areas through Disruptive Technologies" ([ATN/ME-17536-BL](#)), that promotes environmentally friendly agriculture among Mayan communities through TA, demonstrate similar results.

**Table 2 – Lessons Learned**

<b>Lessons learned</b>	<b>Incorporation in Project's design</b>
1. <b>Local economic benefits of tourism.</b> It is necessary to support local private investment to overcome persistent market failures related to: (i) information asymmetries on tourism market preferences; (ii) financing difficulties; (iii) informality that tends to influence negatively on business investment; and (iv) shortcomings in professional skills in the sector. <sup>13</sup>	The Project will finance (i) technical assistance to MSMEs, including to support formalization and preparation of business plans; (ii) grants, to co-finance the implementation of business plans; and (iii) training programs to MSMEs owners and employees.
2. <b>Environmental management in tourism.</b> Environmental monitoring systems are necessary to guarantee long-term sustainability.	The project will finance the upgrade of an existing Climate Risk Information system to include environmental information that is key for the tourism industry.
3. <b>Liquidity restrictions.</b> Liquidity constraints limit the adoption of agricultural technologies and tourism investments with environmental and climate benefits.	The operation will provide non-reimbursable financial support through vouchers and matching-grants that aim to finance climate-smart and environmentally friendly technologies and investments in the agriculture and tourism sectors.
4. <b>Cultural adequacy and gender approach.</b> To guarantee the wide participation of the target group, mass communication campaigns should be conducted using appropriate language to avoid exclusion of eligible beneficiaries. Likewise, specific strategies must be designed to guarantee the participation of women and vulnerable populations.	The project contemplates inclusive communication campaigns in the areas of intervention of the project, including indigenous regions where training will be provided in Mayan languages (Yucateco, Mopan and Q'eqchi) if needed. In addition, the project's technical content and methodologies consider specific adjustments to meet women, indigenous people, afro descendant, and migrants' specific constraints.
5. <b>Skills development.</b> Isolated training courses can be beneficial to the groups participating in specific projects but are not effective to close skills gaps in a sustainable fashion. Countries need to establish skills development ecosystems to properly align the supply and demand of skills, coordinate different stakeholders, harmonize standards, and ultimately, increase employment prospects of individuals and drive labor productivity, contribute to sustained growth, and global competitiveness.	The project includes individualized technical assistance in Component 1 and aims to promote the skills development ecosystem through activities considered in Component 2.

- 1.16 **Gender and youth enhancement and sociocultural adequacy.** The project considers the development of specific content and methods for women, indigenous and afro descendant people, detailed in a Gender and Diversity Action Plan ([OEL#5](#)). For instance, communication campaigns will be provided in Mayan languages if needed. When providing TA, special schedules, as well as childcare options, will be considered to ensure women participation. Eligibility criteria to receive TA and vouchers will be established in a way that women, indigenous people (particularly women) and afro descendant will benefit from the project. As

<sup>13</sup> Also addressed by the "Belizing Tourism Innovation Lab" ([ATN/ME-18578-BL](#)), that seeks to positively impact workforce development within the local tourism industry.



for young people, they will be priority beneficiaries of the skill development programs in business management.

- 1.17 **Support to migrants.** The project will consider the specific needs of migrant farmers and farmers groups in the development of TA content. Special consideration will be given to language, by providing TA in Spanish and by including English language trainings. In addition, outreach and communication activities will aim to specifically target migrant beneficiaries and will be conducted in both languages.
- 1.18 **Innovation.** The project presents multiple innovative aspects for the context of Belize, including: (i) the implementation of “vouchers” to promote innovation in the agricultural sector, particularly for the adoption of nature-positive and climate smart technologies; (ii) the use of “green screening tools” to be implemented in the process of the evaluation and qualification of business plans, to ensure their alignment with environmental and climate-related objectives; (iii) the creation of an ecosystem for skills development for the workforce that is first of its class in the country; (iv) pilots of Green Certifications schemes; and (v) the establishment of linkages between agriculture and tourism; and between the targeted sectors and academia.
- 1.19 **Coordination.** To maximize synergies and avoid duplications, a strong coordination was established during design with other loan operations currently in preparation in Belize. These programs include interventions for MSMEs in different stages of development, supporting distinctive segments -from micro to export ready firms- in key sectors of the economy (See [EOL#15](#) for details). The project was also prepared in strong coordination<sup>14</sup> with the “[Resilient Rural Belize Project](#)” (US\$8M IFAD loan and US\$8M GCF loan) and the “[Climate Resilient and Sustainable Agriculture Project](#),” (US\$25M loan from IBRD/IDA).
- 1.20 **Alignment with national and international priorities.** The project is aligned with the 2015-2030 National Agriculture and Food Policy; the 2019-2023 National AgroProcessing and Food Production Strategy; The National Sustainable Tourism Master Plan for Belize 2030; the 2014-2024 National Environmental Policy and Strategy; the National CC Policy, Strategy and Action Plan; the National Gender Policy (2013 and updated 2021) and the National Determined Contribution, among others. It is expected that the Project contribute to Sustainable Development Goals 1 “No poverty”, 2 “Zero hunger”, 4 “Quality education”, 5 “Gender equality”, 8 “Decent work and economic growth”, 12 “Responsible consumption and production”; 13 “Climate action”, 14 “Life below water” and 15 “Life on land” (see [OEL#8](#)).

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<sup>14</sup> Coordination was established through several meetings with respective projects teams and projects Executing Units; and review and comparative analysis of projects documents – see [OEL#3](#). Areas of coordination include: (A) Technical aspects, for instance: (i) technologies supported by the other projects are recommended by the proposed operation when relevant; (ii) the WB-financed project will have an important focus on commodities and medium-size farmers; the IFAD-financed project will have an important focus on backyard gardens; those focuses are not considered by the proposed Project; and (B) Operational aspects, for instance: (i) mechanisms for project execution with demonstrated effectiveness/ineffectiveness were replicated/discarded, respectively; (ii) during implementation, areas of intervention (clusters) will be different for all projects.

- 1.21 **Strategic alignment.** The operation is consistent with the Second Update to the Institutional Strategy (AB-3190-2) through its alignment with the development challenges of: (i) social inclusion and equality, since the beneficiaries will be vulnerable populations that have been highly affected by the pandemics including small landholder farmers, MSMEs, female farmers, female entrepreneurs, indigenous communities, and migrants (§1.29); (ii) productivity and innovation, as the operation will support the development of MSMEs, promoting higher productivity and market innovation, and (iii) economic integration, since the Project will promote linkages with markets, including export. The operation is aligned with the cross-cutting themes of: (i) gender equality and diversity through specific objectives, indicators, methods and activities aiming at ensuring the empowerment and full participation of women, indigenous and afro descendant populations; (ii) climate change and environmental sustainability, as it will support the adoption of climate smart and environmentally sustainable technologies and practices; and (iii) institutional capacity and rule of law, by strengthening market, climate and environmental information systems (§1.26). It is expected to contribute to the Corporate Results Framework 2020-2023 (GN-2727-12), especially to level 2 indicators: 1.Students benefited by education projects; 3.Beneficiaries of targeted anti-poverty programs; 6.Beneficiaries of initiatives that support migrants and their host communities; 7.Beneficiaries of employment support initiatives; 8.Enterprises provided with technical assistance; 9.Micro, small, medium enterprises financed; 10.Enterprises provided with technical assistance; 11.Farmers with improved access to agricultural services and investments; 16.Women beneficiaries of economic empowerment initiatives; 18. Targeted beneficiaries of public services that have been adapted for diverse groups; 20.Beneficiaries of enhanced disaster and climate change resilience; 21.Habitat that is sustainably managed using ecosystem-based approaches; 22.Value of investments in resilient and/or low carbon infrastructure. It is consistent with the Bank's "Vision 2025" (AB-3266) by supporting MSMEs, gender equality, diversity and inclusion, and climate change and environmental sustainability. It is aligned with Pillar 2 "Private sector productivity and sustainable growth, with a focus on MSMEs" of the Country Strategy with Belize 2022-2025 (GN-3086) and is included in the 2022 Operational Program Report (GN-3087). The Project is consistent with the Sector Framework Documents of Agriculture (GN-2709-10); Environment and Biodiversity (GN-2827-8); Tourism (GN-2779-9); Climate Change (GN-2835-8); Skills Development (GN-3012-3); and Gender and Diversity (GN-2800-8) (see [OEL#8](#)). The project is also consistent with the Gender Action Plan for Operations 2020-2021 (GN-2531-19) through the lines of action 3.7(ii) "Improving the capabilities of women and men to contribute to climate change adaptation and resilience, through the transfer of knowledge and technology", and 3.7(v) "Promoting equitable access of women farmers to extension services, climate-smart technologies and land rights"; contributes to the Employment Action Framework with Gender Perspective (GN-3057) in the pillars 1 "business and entrepreneurs" and 2 "human talent development" by supporting MSMEs and by creating an ecosystem for skills development with a gender perspective; and with the Migration Action Framework (GN-3021) by promoting migrant integration through economic opportunities. According to the [joint methodology of Multilateral Development Banks \(MDB\)](#) approach on climate finance tracking, an estimated 78.8% of the funding will count as climate finance ([OEL#6](#)).



## **B. Objective, components, and cost**

1.22 The general objective of this operation is to improve incomes and promote sustainable livelihoods in the agriculture and tourism sectors. The specific objectives are to improve MSMEs competitiveness, climate resilience, and environmental sustainability<sup>15</sup>. The operation will be composed of two components:

**1. Component 1. Direct support to farmers, agricultural groups and MSMEs for sustainable and inclusive development (IDB: US\$11,245,000; GRF: US\$800,000)**

1.23 **Sub-component 1: Environmentally sustainable and climate resilient farming systems.** To promote the adoption of environmentally sustainable practices, increase climate resilience and agricultural productivity, the project will finance the following activities:

- a. Technical Assistance (TA), with gender and socio-cultural approaches, will be provided for 2 to 3 agricultural cycles. Technical assistants will accompany beneficiary farmers in: (i) the elaboration of a farm plan, a roadmap to improve the farm's organization and management to achieve profitability and sustainability goals; (ii) the implementation of the farm plan, including follow-up visits to provide technical advice on production, climate-smart and environmentally sustainable practices, and/or standards required to enter formal markets; (iii) farm management (e.g., basic accounting) and access to market information (e.g., market requirements, financing opportunities, etc.); and (iv) support to registration in BAIMS (requirement to obtain financing), if needed. Technical assistants will also organize and facilitate collective training and learning-by-doing activities such as farmers field schools. A gender approach to TA will be implemented to promote women's participation (i.e., considering domestic burden, childcare, language barriers, etc.). The eligibility criteria will ensure that indigenous and migrant farmers will be included, and an MoU will be signed with indigenous authorities (alcaldes) to ensure participation of indigenous women. Moreover, TA will be provided to migrant farmers considering their specific needs – language, for example.
- b. Green Innovation Vouchers (GIV) will be provided to farmers to partially finance the implementation of their farm plans with the support of the technical advisers. The GIV will have a maximum amount of US\$2,000.<sup>16</sup> The eligibility criteria for the investments to be financed are: (i) inputs/equipment must be included in the pre-established menu of authorized technologies (i.e., climate-smart and environmentally sustainable inputs and equipment to support: farm diversification, agroforestry and silvopastoral systems, fodder banks, high quality planting material, good practices in soil and water management, substitution of chemically synthesized fertilizers and pesticides

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<sup>15</sup> The terms "green screening", "green agribusiness", "green technologies", are activities that will include actions that contribute to the mitigation and adaptation of climate change.

<sup>16</sup> This amount was calculated based on (i) the innovative technologies most demanded by farmers (see ¶1.31 and [OEL#12](#) for details); and (ii) the average amount required to invest in those technologies on ½ Ha, considered as the pertinent superficies for piloting innovation at farm level (see [OEL#3](#)).

by bio-inputs, water storage and drip irrigation with solar pumps, cover structures, among others (see [OEL#3](#)); (ii) the inputs/equipment selected by the farmers contribute to the implementation of their farm plan; and (iii) the inputs/equipment are exchanged with the GIV through a private provider accredited by the project. GIVs will be provided (along with TA) to approximately 1,500 farmers, who will meet the following eligibility criteria: (i) present proof of land tenure, property rights or usufruct; according local standards; (ii) being a small farmer (from 0.5 acres to 20 acres); and (iii) commit to register in the BAIMS, if not yet the case. Beneficiary farmers for TA and GIV will be selected among the eligible ones through public random raffle, except in indigenous areas where culturally appropriate selection mechanisms will be implemented, validated by the communities. Previous communication campaigns with cultural relevance (i.e., language, communication channels) will massively inform about the opportunities offered by the project, the eligibility criteria, the complaint mechanisms, etc. 25% of vouchers will be reserved for women, and 15% to indigenous farmers.

**1.24 Sub-component 2: Sustainable and Inclusive Agri-Food Markets.** To increase competitiveness and access to markets, the project will finance:

- a. The preparation of Green Agri-Business Plans (GABP) for approximately 40 Farmers Groups (FGs), with an estimated total of 1000 individual beneficiaries, considering an average of 25 members for each FG; and 80 MSME<sup>17</sup>s, with an estimated total of 320 individual beneficiaries, considering an average of 3 employees for each MSME. MSMEs (not FGs) will have to present evidence of having conducted business activities for at least one year prior to registering in the project. The GABP will include investments that aim to improve access to markets, with emphasis on environmental sustainability and/or climate resilience, including: (i) storage; (ii) processing; (iii) transportation; (iv) market intelligence; (v) compliance with formal requirements (registrations and legal certificates); (vi) certifications (i.e., environmental, fair trade, etc.); (vii) digitalization; (viii) diversification, among others. To elaborate the GABPs, the project will finance managerial advice to FGs/MSMEs through “business advisors”. The business advisors will also provide, during an estimated period of three (3) years, TA to the FG/MSME in topics such as: formalization/registration and elaboration of financial statements, business administration, financing, and market opportunities, among others.
- b. The implementation of Green Agri-Business Plans (GABP) for approximately 20 FGs (estimated total of 500 individual beneficiaries) and 40 MSMEs (estimated total of 160 individual beneficiaries). To that purpose, FGs could receive a grant up to a maximum amount of US\$75,000; and MSMEs could receive a grant for a maximum of US\$25,000<sup>18</sup>. To be eligible for financing, the GABP will meet the following criteria: (i) proof of formal legal status of the FG/MSME; (ii) proof of land tenure when the GABP includes the construction of infrastructure facilities; (iii) profitability and financial viability assessment;

<sup>17</sup> MSMEs that do not exceed the criteria established for Medium Enterprises in the Beltraide Act No50 of 2017.

<sup>18</sup> Those amounts were calculated based on (i) the agroprocessing and other market solutions most demanded by FGs and MSMEs (see ¶1.31 and [OEL#12](#) for details); and (ii) the average amount required to invest in those solutions at FG or MSME level (see [OEL#3](#)).

(iv) socio-environmental management strategy; and (v) others included in the MOP. Qualification criteria of GABPs will include (i) evidence that investments to be implemented are low carbon or environmentally sustainable (i.e., solar panels, waste reuse or reduction, circular economy practices); (ii) participation of women, youth, and migrants; and (iii) others included in the MOP. It is expected to finance initiatives of transformation and value addition of production, maintenance and improvement of quality, reduction of losses and waste, storage and collection, improvements within the production processes, diversification of products and use of by-products (new markets), among others. The GABPs will be selected based on a green screening tool (¶1.18) to prioritize environmentally sustainable and climate change adaptation/mitigation investments. Eligible GABP's expenses will include: (i) TA and training; (ii) small infrastructure facilities; (iii) goods; (iv) equipment and machinery; and (v) costs of certifications and registrations, as well as all the costs associated with the implementation of the socio-environmental management strategy. 20% and 10% of grants will be reserved for female-led and Indigenous-led MSMEs/Organizations, respectively.

1.25 **Sub-component 3: Sustainable and Inclusive Tourism.** To address competitiveness, sustainability and resilience entrepreneurship barriers, the project will finance:

- a. The preparation of Sustainable Tourism Business Plans (STBP) for approximately 200 MSMEs in the tourism sector. Eligibility criteria for beneficiary MSMEs will include evidence of having conducted business activities for at least one year prior to registering in the project. The STBP will include investments that aim to reduce negative environmental externalities, enhance innovation and digitalization, and support market intelligence. To elaborate the STBPs, the project will finance managerial advice to MSMEs through "business advisors". The business advisors will also provide technical assistance to MSMEs in topics such as: formalization/registration and elaboration of financial statements, business administration, financing, and market opportunities, among others.
- b. The implementation of approximately 150 STBP, for an average amount of US\$15,000<sup>19</sup>. To be eligible for financing, the STBPs will meet the following criteria: (i) proof of formal legal status of the MSME; (ii) proof of land tenure when the STBP includes the construction of small facilities; (iii) profitability and financial viability assessment; (iv) socio-environmental management strategy; and (v) others included in the MOP. Qualification criteria of STBP will include: (i) evidence of the STBP's financial sustainability; (ii) evidence that investments to be implemented are low carbon or environmentally sustainable (i.e., individual sewage/waste management solutions, circular economy practices, among others); and (iii) others included in the MOP. The STBPs will be selected based on a green screening tool (¶1.18) to prioritize environmentally sustainable and climate change adaptation/mitigation investments. Eligible STBP's expenses will include training, goods, equipment, certifications and registrations; as well as all the costs associated

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<sup>19</sup> This amount was calculated based on (i) the investments most demanded by MSMEs (see ¶1.31 and [OEL#12](#) for details); and (ii) the average amount of those investments (see [OEL#2](#)).

with the implementation of the socio-environmental management strategy. 20% and 10% of grants will be reserved for female-led and Indigenous-led MSMEs, respectively.

**2. Component 2. Enabling environment for sustainable and inclusive development (IDB: US\$2,755,000)**

1.26 To contribute to the sustainability and scaling-up of results achieved under Component 1, this component will finance:

- a. The creation of a Skills Development Ecosystem for sustainable and inclusive agriculture and tourism sectors. This includes: (i) the establishment of an industry-led body (hereafter the skills consortium) to identify skills needs, set standards, and chart career pathways for the duration of the project and after the program ends, as well as to ensure the sustainability and continuity of the Skills Development Ecosystem across time; (ii) design and implementation of certified training programs to MSMEs owners and MSMEs employees, and to future service providers (such as agricultural technical advisors) in the areas of sustainable tourism and agriculture; (iii) a train-the-trainer program; and (iv) strengthening of quality assurance mechanisms for the skills development system which includes mapping of training providers' characteristics and enhancement of quality standards to measure training provider performance based on quality of teaching and learning outcomes.
- b. The upscale of the existing Climate Risks Information System (CRIS) to a "Climate and Environmental Risks Information System" (output 2.2) to incorporate key environmental information for the long-term competitiveness and sustainability of the agriculture and tourism sectors and enhance system-user's approach.
- c. Market Information Systems (output 2.3). This includes the strengthening of [Agrilinks Belize](#), a platform that links farmers to buyers; as well as the development of the first stages of a Tourism Market Intelligence System at BTB.
- d. The pilot implementation of Green Certification Schemes (output 2.4), one in the tourism sector and one in the agricultural sector. Adherence to existing schemes will be enhanced, rather than creating new ones. Considering the potential benefits to develop linkages between both sectors, the pilots will ideally be implemented in the same territory to obtain economies of scale.
- e. Communication and public information campaigns on climate and environmental risks and on resilient, low carbon and environmentally sustainable practices in agriculture and tourism, to increase awareness and enhance more responsible behavior from MSMEs and visitors.

**3. Other (IDB: US\$1,000,000)**

1.27 This category includes administration, monitoring, evaluation, and auditing costs.

## C. Key results indicators

1.28 The main impact and results indicators<sup>20</sup> of the project are detailed in Table 3.

**Table 3. Main Indicators of the Results Matrix**

Impact and results indicators	Measurement period	Rationale for the selection
1. Rural households' income	Years 1 and 5	These indicators measure improved livelihoods of participants in the tourism and agriculture sectors.
2. Employment in MSMEs created in the tourism and agriculture sectors		
3. Women with gender parity in the household	Years 1 and 5	This indicator measures women's empowerment.
4. Average value of sales of tourism and agriculture MSMEs	Years 1 and 5	This indicator measures improvements in agriculture and tourism competitiveness.
5. Beneficiary farmers that adopt new environmental and climate smart technologies	Years 1 and 5	These indicators measure improvements in climate resilience and environmental sustainability of farms and tourism MSMEs.
6. Beneficiary tourism MSMEs that adopt new green technologies		

1.29 **Beneficiaries.** The beneficiaries will be small landholder farmers, members of agricultural groups, and owners and employees of MSMEs in the agriculture and tourism sectors. Sub-component 1.1 is expected to directly benefit 1,500 individual farmers (375 women; 225 indigenous people; 130 migrants); Sub-component 1.2 is expected to benefit 1,000 farmers organized in groups and 320 owners and employees of agricultural MSMEs; and Sub-component 1.3 is expected to benefit approximately 1,400 owners and employees of tourism MSMEs. Component 2 will benefit approximately 650 trainees under the Skill Development Ecosystem, while other outputs will benefit all the actors in the tourism and agricultural sectors. The operation will have a countrywide coverage.<sup>21</sup>

1.30 **Economic evaluation.** A cost-benefit evaluation was conducted for the project, using a social discount rate of 12% per year and a 15-year investment horizon. The estimated Net Present Value of the project is: US\$13,235,7302, which corresponds to an Internal Rate of Return (IRR) of 54.82%. The benefits corresponded to: (i) an increase in the value added of agricultural production of individual farmers receiving GIVs; (ii) an increase in income from technical/managerial assistance and the implementation of GABPs of FGs and MSMEs in the agricultural sector; (iii) an increase in sales due to the implementation of business plans in the tourism sector; and (iv) a positive effect of

<sup>20</sup> During the project's life, data will be dully monitored to generate key information on: (i) farm/business production costs; (ii) use of chemical pesticides; (iii) post-harvest losses; (iv) farm/business profitability;(v) market diversification in tourism. These indicators, interesting to inform on competitiveness, sustainability or resilience were not included in the Results Matrix because of lack of information on the current situation (baseline) and/or lack of evidence on the possible effects (target).

<sup>21</sup> Since the implementation of the Project will require a degree of geographical clustering, a randomization at the sub-district level will be performed after a nationwide communication campaign (about the opportunities offered by the project and the eligibility criteria) and the registering of interested eligible beneficiaries.

the skills development program in both the agricultural and tourism sectors. Also, sensitivity analyzes were conducted and the results remain robust for the financial and socioeconomic viability indicators of the project.

- 1.31 **Demand assessment (OEL#12).** Surveys, interviews and focus groups with relevant stakeholders in the private and public sector, as well as lessons learned from other projects financed in the country, confirm the potential demand that exists for the proposed activities. For instance, the Government of Belize launched the MSME Support Program in 2020 and as of October 1, 2021, the Program had received 3,994 applications (24% of MSMEs in the country). In tourism, the matching-grants program financed by the Sustainable Tourism Program II received 200 applications but was able to provide support to only 30% of them. The largest existing interventions in the agricultural sector will be able to attend only 40% of the small and medium size farmers of Belize (OEL#3). In this sector, key stakeholders identified the following priorities: (i) training and extension services, and especially farming field school approach and other learning -by-doing programs, as well as specific skills development on environmental conservation/climate resilience practices; (ii) support and information to obtain seedlings; (iii) support to identify formal market opportunities and meet market demands; and (iv) technical support to establish and sustain farmers organizations; all this considered by the proposed Project (Praxy5, 2021). Focus groups sessions held with stakeholders (Usher, 2022) confirmed the demand for the support proposed by the project. Moreover, interviews with stakeholders (public institutions, academia, NGOs) engaged in skill development countrywide, validated the high demand and willingness for the project's proposed creation of a national public-private coordination mechanism to support sustainable skill development.
- 1.32 **Sustainability.** The project includes several activities to guarantee long-term sustainability of the investments including: (i) managerial support to farmers' organizations and MSMEs in the agricultural and the tourism sectors to elaborate and implement profitable and sustainable business plans; (ii) TA to farmers in order to enhance environmental and economic sustainability of production systems; (iii) the implementation of a skills development ecosystem to feed the tourism and agricultural sectors with trainers, managers and technical assistants needed to meet market demand; and (iv) market and environmental information systems to provide constant and reliable information for effective decision-making. Interventions. Support to those systems was dimensioned to ensure that the Project will primarily support initial investments, while recurrent Operation and Maintenance costs should be managed with the beneficiary institutions' current human and financial resources.

## II. FINANCING STRUCTURE AND MAIN RISKS

### A. Financing instruments

- 2.1 The proposed operation has been structured as a Specific Investment Loan (ESP), because of the project's indivisibility: all the activities must be executed to achieve the project's specific objectives. The total cost amounts to US\$15,800,000, where the IDB will finance US\$15,000,000 with reimbursable resources from the Ordinary

Capital as well as a US\$800,000 grant from the IDB Grant Facility: Support to Countries with Large and Sudden Intraregional Migration Inflows. During execution, additional resources<sup>22</sup> will be sought to increase the impact of the intervention.

**Table 4. Summary of project costs (US\$000s)\***

Components	IDB		Total	%
	ORC	(GRF)		
<b>Component 1. Direct support to individual entrepreneurs, MSMEs and Associations for sustainable and inclusive development</b>	<b>11,245.0</b>	<b>800.0</b>	<b>12,045.0</b>	<b>76%</b>
Sub-component 1.1: Environmentally sustainable and climate resilient farming systems	5,185.0	400.0	5,585.0	35%
Sub-component 1.2: Sustainable and inclusive Agri-food markets	2,919.6	400.0	3,319.6	21%
Sub-component 1.3: Sustainable and inclusive tourism	3,140.4	-	3,140.4	20%
<b>Component 2. Enabling environment for sustainable and inclusive development</b>	<b>2,755.0</b>	<b>-</b>	<b>2,755.0</b>	<b>17%</b>
<b>Others Cost</b>	<b>1,000.0</b>	<b>-</b>	<b>1,000.0</b>	<b>6%</b>
Project administration and Management	550.0	-	550.0	3%
Monitoring and evaluations	350.0	-	350.0	2%
Audit	100.0	-	100.0	1%
<b>Total</b>	<b>15,000.0</b>	<b>800.0</b>	<b>15,800.0</b>	<b>100%</b>

\* The costs of subcomponents are indicative.

- 2.2 The project's disbursement period will be five years, based on experience of similar operations. During this time, the resources from the GRF will be disbursed simultaneously and in proportion to the loan proceeds (pari-passu requirement). Table 5 presents the disbursement schedule. No retroactive financing is foreseen by the program.

**Table 5. Estimated project disbursements (US\$000s)**

Source	Year 1	Year 2	Year 3	Year 4	Year 5	Total
IDB (ORC)	50.0	1,233.0	5,464.0	6,104.0	2,149.0	15,000.0
IDB (GRF)		68.43	291.41	325.55	114.61	800.0
<b>Total</b>	<b>50</b>	<b>1,301.42</b>	<b>5,755.41</b>	<b>6,429.54</b>	<b>2,263.61</b>	<b>15,800.0</b>
Percentage	0.30%	8.24%	36.43%	40.69%	14.33%	100%

- 2.3 **Additionality of nonreimbursable resources.** Unprecedented migration flows are an emerging challenge for the countries of LAC, with potential harmful effects for the host communities if not properly addressed. To confront these extraordinary circumstances, the Board of Governors of the IDB approved the use of up to US\$100 million in Ordinary Capital resources available through the GRF to Support Countries with Large and Sudden Intraregional Migration Inflows (documents GN-2947-6 and AB-3199). The objective of this Facility is to support countries to design interventions that provide access to basic services, access to social services, and economic opportunities to migrants and their host

<sup>22</sup> Including a potential collaboration with the European Union.



communities, benefiting both migrants and the local population by favoring inclusive development and fostering positive relationships between these groups.

- 2.4 **Migration eligibility (OEL#7).** The project meets the five eligibility criteria for the use of GRF resources: (i) Belize's migration increased its population by 1.4% between 2015 and 2018, almost triple the level required to qualify under Criteria 1 (0.5%);<sup>23</sup> (ii) the proposed operation identifies migrant's issues in accessing economic opportunities, labor markets, working conditions, language and skills gaps as a main problem and proposes appropriate solutions to tackle it; (iii) the proposed operation will improve access to economic opportunities through TA and grant financing targeted to meet migrant farmer needs as well as MSMEs and farmer groups in the agriculture sector that meet eligibility criteria; (iv) the operation defines migrant and non-migrant beneficiaries as well as geographical areas with high concentration of migrants; and (v) during a special mission between March 28-30 2022 the Government of Belize expressed the need to include GRF resources to broaden the scope of the project to support migrants. Accordingly, the US\$15 million from the loan resources in this operation will match the US\$800,000 in GRF resources, consistent with a combination of a maximum of 20% of IDB non-reimbursable resources and 80% of reimbursable resources.

## **B. Environmental and social safeguard risks**

- 2.5 The operation has been classified as Category "B" for its likely moderate Environmental and Social (E&S) impacts of small-scale interventions across Belize in the agriculture and tourism sectors providing non-reimbursable direct financing of cooperatives or individual Micro Small and Medium Sized Enterprises (MSMEs) as well as training and technical assistance for beneficiaries. Impacts resulting from these activities are expected to be temporary, localized and for which mitigation measures are available. The operation has been classified moderate for climate change and disaster risk and received an Environmental and Social Risk Rating (ESRR) of Substantial driven by contextual risk factors such as social and territorial tensions, illegal logging, deforestation, trade and child and forced labor prevalent in the sector. The Ministry of Finance, Economic Development, and Investment (MFEDI) has no experience or resources in/for E&S management.
- 2.6 The interventions to be financed have the potential to generate pollution of water and soil as well as solid and liquid waste, as well as impacts to natural habitat or critical natural habitat, or protected areas. The operation will not finance projects that have significant impacts in natural or critical habitat. The operation will not finance the use of non-organic fertilizers or pesticides, however small quantities of hazardous waste may have to be disposed of. The operation will not finance any resettlement, physical or economic displacement or land acquisitions as such. Some interventions will take place in indigenous and afro descendants' territories for which potential negative impacts and risks of exclusion and/or discrimination will be addressed and managed. Working conditions in the selected sectors may pose risks of exploitation, to health and safety of workers and communities as well

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<sup>23</sup> Criteria for eligibility to access the GRF is that intra-regional immigration flows in a preceding three-year period exceed 0.5% of the country's population. The operational guidelines (GN-2947-6) further specify that once a country becomes eligible, that eligibility lasts for three years, regardless of migration flows in that period, making Belize eligible to access the Facility until the 6th of May 2022. This operation received eligibility after the conclusion of the Eligibility Review Meeting and approval of the project profile on April 20, 2022.



as allow for discrimination and exclusion of vulnerable groups. The operation will not finance any activity that provokes negative impacts on cultural heritage. The operation prepared a Strategic E&S Assessment including a Socio-Cultural Assessment for indigenous peoples and afro descendants. The impacts and risks of the operation will be managed through an Environmental and Management System, that will among other components include an Environmental and Social Management Framework (ESMF) as well as an Indigenous Peoples Plan (IPP) in compliance with the requirements set out in the Bank's Environmental and Social Policy Framework (ESPF). The Executing Agency has carried out one phase of meaningful, culturally appropriate and gender sensitive public consultation, and has disclosed the E&S documentation and plans before the Analysis Mission. The initial consultation event was held in Belize City and virtually on Teams on July 28 and initiated a meaningful stakeholder engagement with about 30 people, both women and men, from various regions of the country and various stakeholder groups. Questions included clarification about the support that would be provided to farmers to access new markets, the user friendliness of farm plan format that the Program emphasizes (users have some difficulties with it and need more support from the Ministry to use), and regarding the inclusiveness of the Program of LGBT, women, and migrants. The Environmental and Social Action Plan (ESAP) includes actions to complete the requirement of the ESPF.

#### **C. Fiduciary risk**

- 2.7 Based on the institutional capacity assessment and risk analysis that was conducted during project preparation, the fiduciary risk is considered medium-high. The EA has extensive experience implementing public sector investment projects; however, it currently has limited staff to undertake the implementation of this project and will require reinforcement of its staffing capacity and systems to effectively execute the fiduciary activities of the project. The main fiduciary risk identified relates to the fact that if the fiduciary staff to be hired do not have the relevant qualification and experience, it could lead to inadequate fiduciary management and delays in implementation. This risk will be mitigated by: (i) the hiring of a procurement specialist and financial specialist with previous experience managing Bank or externally financed projects; (ii) the Bank providing ongoing training and coaching to the staff on the Bank's fiduciary and other procedures; and (iii) implementing and supervisory mechanisms for Component 1 (See ¶3.2), agreed upon with the EA to reduce the quantity of procurement processes and the workload associated to the payment of grants.

#### **D. Other risks and key issues**

- 2.8 **Development risks.** The Institutional Capacity Analysis revealed that the MFEDI has neither staff nor experience in implementing agriculture and tourism-related projects. For the agricultural interventions, the MAFSE has all capacities regarding all technical aspects but face severe human resources restrictions. An analysis of possible implementing mechanisms for TA and vouchers, with their respective conditions for success ([OEL#10](#)) showed that direct execution by the MAFSE of the agriculture component would generate a high risk of implementation delays. To mitigate this risk, execution arrangements include the hiring of implementing entities, to execute human-resources-intensive field activities. Shortcomings were also detected in monitoring and evaluation. To mitigate that risk, a Supervisory

Entity, that will implement on-field quality control and ensure accountability of all activities undertaken under Sub-Component 1.1 and 1.2, will be hired; as well as dedicated staff to support BTB with Sub-Component 1.3. Risk of execution delays are associated with possible delays in the hiring of key services such as the Implementing Entities and the Supervisory Entity. This risk will be mitigated through a strong support to the Executing Unit (EU), to be provided by experts in project management and IDB policies, who will be financed by ATN/OC-19183-BL "Design and support to the kick-off of the Sustainable and Inclusive Belize Project" (US\$200,000; 2022). These experts will accompany the EU during at least the first year after loan approval, to expedite eligibility, prepare priority bidding documents and accelerate the learning curve of the EU.

### **III. IMPLEMENTATION AND MANAGEMENT PLAN**

#### **A. Summary of implementation arrangements**

- 3.1 The borrower will be the country of Belize, and the EA will be the MFEDI. The MFEDI will create an Executing Unit (EU) with the overall responsibility for the implementation of the project including: (i) coordination with line institutions, such as MTDR, BTB, MAFSE, BMDC and Beltraide; (ii) management of the procurement and financial functions; and (iii) planning, monitoring, and reporting on the project results. The EU will be staffed with the following personnel: (i) a portfolio director; (ii) a full-time project manager; (iii) a financial specialist; (iv) a procurement specialist; (v) a monitoring and evaluation specialist; (vi) a social and environmental safeguard specialist; and (vii) an administrative officer. The EA could seek to create synergies with other Bank-financed projects in relation to its staff<sup>24</sup>.
- 3.2 The EU, with the technical collaboration of MAFSE, will hire: (i) up to three Implementing Entities (IE), to implement activities under sub-components 1.1. and 1.2. The selection of several IE is justified by the need to identify entities with a strong knowledge of the territories of intervention, including their socio-cultural diversity; (ii) a Supervisory Entity (SE) to (a) implement permanent field supervision, to ensure that activities undertaken under SC1.1. and SC1.2. comply with established scope, quality and time, and with the Bank's Social and Environmental Policies; (b) certify and approve payments to the IE; to inputs and equipment providers; and to business advisors; and (c) Monitor technical and financial progress and provide inputs to the EU for reporting progress in execution<sup>25</sup>. Sub-component 1.3. will be directly implemented by BTB.<sup>26</sup> The EU will provide BTB with a team of individual consultant to perform, for SC1.3, tasks similar as the SE's ones.

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<sup>24</sup> Sharing fiduciary and monitoring and evaluation services, for instance.

<sup>25</sup> The costs of the implementing and supervisory entities were included in sub-components 1.1 and 1.2, since the implementing entities' role is to provide farmers with TA (output 1.1); and most of the supervisory entity's role will be to control quality and provide feed-back to ensure that TA and grants to farmers, farmers groups and MSMEs are effective, which is considered a technical task.

<sup>26</sup> Following the implementation and technical assistance mechanisms established under the Sustainable Tourism Program II.

- 3.3 **Special Contractual Clauses prior to the first disbursement.** The Borrower, through the Executing Agency (EA), shall provide evidence that: (i) the key staff of the Executing Unit (EU) has been appointed, including its Project Manager, Procurement Specialist and Financial Specialist; and (ii) the Project Operations Manual ([POM](#)) for the project has been approved, in the terms agreed with the Bank. Additionally, see the environmental and social commitments described in Annex B of the Environmental and Social Review Summary (ESRS) ([REL#3](#)).
- 3.4 **Special Contractual Clauses of Execution.** (i) Prior to awarding contracts for the execution of Sub-component 1.3 and of tourism components of Outputs 2.3 "Market Information Systems" and 2.4 "Green Certification Schemes", an inter-institutional agreement will have to be signed between EA, MTDR and BTB, establishing the responsibilities of each entity in project implementation; (ii) Prior to awarding contracts for the execution of Sub-components 1.1 and 1.2. and of agriculture components of Outputs 2.3 and 2.4, an inter-institutional agreement will have to be signed between EA, MAFSE and BMDC, establishing the responsibilities of each entity in project implementation; and (iii) Prior to awarding contracts for the execution of Output 2.2 "Climate and Environmental Risks Information System", an inter-institutional agreement will have to be signed between the University of Belize and the National Climate Change Office, establishing the responsibilities of each entity in project implementation.
- 3.5 **Special disbursement.** Notwithstanding the special contractual clauses, once the Loan Contract has entered into effect and the Borrower has fulfilled the conditions prior to first disbursement set forth in the General Conditions of the Loan Contract, the Bank may disburse to the Borrower up to the amount of US\$50,000 from the resources of the loan to hire the Project Coordinator, and the Project Procurement and Financial officers within the PEU.
- 3.6 **Project Operating Manual ([OEL#14](#)).** The POM will address all aspects of loan execution, including: (i) the organizational arrangements, including details of the functions of the EU; of the IE, in charge of implementing SC1.1 and SC1.2; of the Supervisory Entity, in charge of quality control for SC1.1 and SC1.2; of BTB, in charge of implementing SC1.3; (ii) technical and operational arrangements for execution and, in particular, details on the implementation of each grants program (SC1.1. SC1.2 and SC1.3); elaboration of farm plans; and facilitation of farmers field schools; (iii) the environmental and social commitments described in Annex B of the ESRS; (iv) the arrangements for programming, monitoring, and evaluating results; and (v) the guidelines for financial and procurement management and for audits.
- 3.7 **Procurement.** Procurements will be conducted in accordance with the Policies for the Procurement of Goods and Works financed by the Inter-American Development Bank (document GN-2349-15) and the Policies for the Selection and Contracting of Consultants financed by the Inter-American Development Bank (document GN-2350-15). Annex III presents the general framework for procurement management. Procurement supervision by the Bank will be as established in the Procurement Plan ([REL#4](#)).

**B. Summary of arrangements for monitoring results**

- 3.8 The project has a monitoring and evaluation plan ([REL#2](#)) that specifies the measurement of indicators, the impact evaluation methodology for the various components, data requirements (baseline and monitoring survey), the parties responsible, and the estimated budget for implementation of the activities.
- 3.9 **Monitoring.** The EA will deliver a report on the progress of the activities in their respective components to the Bank, no later than 60 days after the end of each six-month period of each year during execution. These reports will include information on: (i) technical and financial targets met, explanations of deviations and corrective measures; and (ii) progress towards outcomes. Reports for the second six-month period will include the annual work plan for the following calendar year with updated disbursement, procurement, and risk management plans.
- 3.10 **Evaluation.** The EA will deliver a midterm evaluation report to the Bank within 90 days after the date on which 50% of the loan proceeds have been committed, or 50% of the execution period has elapsed, whichever occurs first, and the project completion report within 90 days after the date on which 90% of the loan proceeds have been disbursed. The final evaluation report will include the results of the project impact evaluation. The impact evaluation will analyze the causal effects of the vouchers, business plans and grants by implementing experimental and quasi experimental approaches. For this, a baseline and follow-up surveys will be collected to a representative group of beneficiaries and controls. This impact evaluation will be financed with loan resources in the amount of US\$270,000.

Development Effectiveness Matrix		
Summary		BL-L1041
I. Corporate and Country Priorities		
Section 1. IDB Group Strategic Priorities and CRF Indicators		
Development Challenges & Cross-cutting Issues	<ul style="list-style-type: none"><li>-Social Inclusion and Equality</li><li>-Productivity and Innovation</li><li>-Economic Integration</li><li>-Gender Equality and Diversity</li><li>-Climate Change</li><li>-Institutional Capacity and the Rule of Law</li></ul>	
CRF Level 2 Indicators: IDB Group Contributions to Development Results	<ul style="list-style-type: none"><li>-Students benefited by education projects (#)</li><li>-Beneficiaries of targeted anti-poverty programs (#)</li><li>-Beneficiaries of initiatives that support migrants and their host communities (#)</li><li>-Beneficiaries of employment support initiatives (#)</li><li>-Micro / small / medium enterprises financed (#)</li><li>-Enterprises provided with technical assistance (#)</li><li>-Farmers with improved access to agricultural services and investments (#)</li><li>-Women beneficiaries of economic empowerment initiatives (#)</li><li>-Targeted beneficiaries of public services that have been adapted for diverse groups (#)</li><li>-Beneficiaries of enhanced disaster and climate change resilience (#)</li><li>-Habitat that is sustainably managed applying ecosystem-based approaches (ha)</li><li>-Value of investments in resilient and/or low-carbon infrastructure (\$)</li></ul>	
2. Country Development Objectives		
Country Strategy Results Matrix	GN-3086	Pillar 2 "Private sector productivity and sustainable growth, with a focus on MSMEs"
Country Program Results Matrix	GN-3087	The intervention is included in the 2022 Operational Program
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution		7.7
3.1 Program Diagnosis		1.9
3.2 Proposed Interventions or Solutions		3.5
3.3 Results Matrix Quality		2.3
4. Ex ante Economic Analysis		7.5
4.1 Program has an ERR/NPV, or key outcomes identified for CEA		1.5
4.2 Identified and Quantified Benefits and Costs		3.0
4.3 Reasonable Assumptions		0.0
4.4 Sensitivity Analysis		2.0
4.5 Consistency with results matrix		1.0
5. Monitoring and Evaluation		8.4
5.1 Monitoring Mechanisms		4.0
5.2 Evaluation Plan		4.4
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood		High
Environmental & social risk classification		B
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)		
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	BL-T1148

The general objective of this operation is to improve incomes and promote sustainable livelihoods in the agriculture and tourism sectors. The specific objectives are to improve MSMEs competitiveness, climate resilience, and environmental sustainability.

The diagnosis seems mostly adequate, although the complexity of the project does not always allow to clearly pinpoint the main causes of the problems to be addressed and how these are linked to the solutions proposed. This also affects the vertical logic of the project, where it is not always clear how all the outputs will contribute to the achievement of results. The outcome indicators are mostly SMART, although some baseline values seem outdated, and the target values could be better justified.

A cost-benefit evaluation was conducted for the project. The benefits corresponded to: (i) an increase in the value added of agricultural production of individual farmers receiving GIVs; (ii) an increase in income from technical/managerial assistance and the implementation of GABPs of FGs and MSMEs in the agricultural sector; (iii) an increase in sales due to the implementation of business plans in the tourism sector; and (iv) a positive effect of the skills development program in both the agricultural and tourism sectors. Key parameters from other contexts are transferred without duly justifying their applicability to Belize.

The monitoring and evaluation plan establishes the methodology that will be used to assess effectiveness at closure for each specific objective. The project includes a proposal for an impact evaluation that will analyze the causal effects of the vouchers, business plans and grants by implementing experimental and quasi experimental approaches.

**RESULTS MATRIX**  
(SEE [EXTENDED VERSION](#))

<b>Project Objectives:</b>	The general objective of this operation is to improve incomes and promote sustainable livelihoods in the agriculture and tourism sectors. The specific objectives are to improve Micro Small and Medium-sized Enterprises (MSMEs) competitiveness, climate resilience, and environmental sustainability.
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**General Development Objective**

Indicators	Unit of measurement	Baseline value	Baseline year	Expected year for achievement	End-of-Project Target	Means of verification	Comments
<b>General development objective: Improve incomes and promote sustainable livelihoods in the agriculture and tourism sectors.</b>							
I.1 Rural household income.	US\$ per month	477	2022	2027	661	Impact Evaluation (IE)	<u>Baseline (BL):</u> The BL number will be updated through surveys to be conducted prior to program implementation. The baseline values based on <a href="#">Living Wage Update Report No. 2022-04-09 – Rural Belize</a> (BZ\$963 converted to US\$).  <u>Target:</u> Target numbers come from the <a href="#">PCR of PRONEGOCIOS (HO-L1010)</a> , which measured an increase in income from US\$1,044 to US\$ 1,445.7 (+38.5%).
I.2 Migrant household income.	US\$ per month	458	2022	2027	634	IE	<u>Baseline (BL):</u> Usher (2022) (BZ\$925 and 766, respectively, converted to US\$).  <u>Target:</u> Target numbers come from the <a href="#">PCR of PRONEGOCIOS (HO-L1010)</a> , which measured an increase in income from US\$1,044 to US\$ 1,445.7 (+38.5%). CRF Flag (CRF-F)
<i>Milestone. Female-led migrant household income</i>		380			526		Gender Flag (GF)

Indicators	Unit of measurement	Baseline value	Baseline year	Expected year for achievement	End-of-Project Target	Means of verification	Comments
I.3 Employment in MSMEs created in the tourism and agriculture sectors.	%	0	2022	2027	2.4%	Business plans and monitoring reports	<u>Target:</u> Target numbers are based on <a href="#">Castillo, Garone, Maffioli and Salazar (2015)</a> , which estimate that Salta's (Argentina) new tourism policy increased employment annually in the sector by 11%. This figure is adjusted to reflect attribution (60% of that change is attributable to the policy) and the budget difference between the assessed policy and the present operation.
<i>Milestone. Female employment created</i>		0			2.4%		GF.
<i>Milestone. Indigenous employment created</i>		0			2.4%		Diversity Flag (DF)
I.4 Women with gender parity in the household using the Women's Empowerment in Agriculture Index (WEAI).	%	25	2019	2027	30	IE	<u>Baseline (BL):</u> The BL number will be updated through surveys to be conducted prior to program implementation. The baseline values are based on <a href="#">Salazar, Fahsbender and Kim (2018)</a> .  <u>Target:</u> Target numbers come from <a href="#">Salazar, Fahsbender and Kim (2018)</a> (18% increase). <b>CRF-F</b>

## Specific Development Objectives

Indicators	Unit of measurement	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	End of Project	Means of verification	Comments
<b>Specific development objective 1: Improve MSMEs competitiveness.</b>											
I.1.1. Gross value of production	US\$ per farmer	3,184	2022						4,171	IE	<u>BL:</u> Estimated using production data from BAIMS (2018 census) and price data from BAPIS (2022).  <u>Target:</u> <a href="#">González and Le Pommellec (2019)</a> , which measured an increase in the

Indicators	Unit of measurement	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	End of Project	Means of verification	Comments
											gross value of production of 31.3%.
I.1.2. Average value of sales of agricultural farms	US\$ per farm	700	2022						1,190	IE	<p><u>BL</u>: Estimated using I.1.1. and an average of shares of production sold for corn (25%), rice (49%), and beans (22%) from <a href="#">Levasseur and Olivier (2000)</a>.</p> <p><u>Target</u>: <a href="#">Torres-Vargas, Santamaría, Santos, Salmerón y Montezuma (2020)</a>, which measured an increase in the value of sales of 70%.</p>
I.1.3. Annual average value of sales of rural MSMEs	US\$ per MSME	56,275	2022						64,435	Business plans and monitoring reports	<p><u>BL</u>: Belize Enterprise Survey (2016), adjusted in current (2022) prices.</p> <p><u>Target</u>: <a href="#">Srhoj, Vitezic and Walde (2021)</a>, which measured an increase in the value of sales of 14.5%.</p>
I.1.4 Annual average value of sales of tourism MSMEs	US\$ per MSME	3,516	2022						4,025		<p><u>BL</u>: Belize Enterprise Survey (2016), adjusted in current (2022) prices.</p> <p><u>Target</u>: Same as I.1.3.</p>
I.1.5. Beneficiary farmers and rural MSMEs that sell their production to at least one new market/client	%	0	2022						5%	Business plans and monitoring reports	<p><u>Target</u>: Target values come from the results matrix of a similar operation designed in Panama (<a href="#">PN-L1166</a>).</p>



Indicators	Unit of measurement	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	End of Project	Means of verification	Comments
<i>Milestone. Beneficiary female farmers and rural MSMEs that sell their production to at least one new market/client</i>		0							5%		GF
<i>Milestone. Beneficiary indigenous farmers and rural MSMEs that sell their production to at least one new market/client</i>		0							5%		DF
I.1.6. Beneficiary rural MSMEs and farmers organizations that fully implement their business plans	%	0							75%		Target: <a href="#">PCR of PRONEGOCIOS (HO-L1010)</a> .
<i>Milestone. Beneficiary female-led rural MSMEs and farmers organizations that fully implement their business plans</i>		0	2022						75%	IE, business plans and monitoring reports	GF

Indicators	Unit of measurement	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	End of Project	Means of verification	Comments
<i>Milestone. Beneficiary indigenous-led rural MSMEs and farmers organizations that fully implement their business plans</i>		0							75%		DF
<b>Specific development objective 2: Improve MSMEs climate resilience and environmental sustainability.</b>											
I.1.7. Beneficiary farmers that adopt new environmental and climate smart technologies	%	0	2022						75%	IE	Adopting means applying technologies for at least one agricultural cycle.  <u>Target:</u> Target number comes from Macours et al. (2018), which measured an adoption rate of 75%.
I.1.8. Beneficiary tourism MSMEs that adopt new green technologies	%	0	2022						25%	Business plans and monitoring reports	<u>Target:</u> Target Euro (2022).

**Country:** Belize

**Division:** RND

**Operation No.:** BL-L1041

**Year:**2022

### **Fiduciary Arrangements**

**Executing Agency (EA):** Ministry of Finance, Economic Development and Investment (MFEDI)

**Operation Name:** Sustainable and Inclusive Belize

#### **I. Fiduciary Context of Executing Agency**

##### 1. Use of country system in the operation

<input checked="" type="checkbox"/> Budget	<input type="checkbox"/> Reports	<input type="checkbox"/> Information System	<input type="checkbox"/> National Competitive Bidding (NCB)
<input checked="" type="checkbox"/> Treasury	<input type="checkbox"/> Internal audit	<input type="checkbox"/> Shopping	<input type="checkbox"/> Others
<input type="checkbox"/> Accounting	<input type="checkbox"/> External Control	<input type="checkbox"/> Individual Consultants	<input type="checkbox"/> Others

##### 2. Fiduciary execution mechanism

<input checked="" type="checkbox"/>	Particularities of the fiduciary execution	The EA will be the MFEDI, through an executing unit to be established, will be responsible for fiduciary management of the project.
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##### 3. Fiduciary Capacity

Fiduciary Capacity of the EA	<p>The results of the institutional capacity assessment and risk analysis conducted during the project preparation determined that that fiduciary risk is medium-high. The MFEDI has experience as EA for several public sector investment projects including those funded by other development partners; however, the part of MFEDI with responsibility for this project, that is, Ministry of Economic Development, has not executed an IDB-financed loan within the last decade. Additionally, the MFEDI's staff is currently limited and will require reinforcement of its capacity and systems to effectively execute the fiduciary activities planned for the project.</p> <p>Additionally, the results of the assessment of public financial management systems in Belize conducted over the period March to May 2021 using the Bank's Guide-FMS (IDB's tool to determine the level of development and use of public financial management systems) indicates a low level of development the national fiduciary systems. Considering that the internal control systems and documentation of procedures within Government are generally weak, the fiduciary procedures and internal controls necessary to reasonably ensure proper fiduciary management of the project resources will be documented in the POM.</p>
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#### 4. Fiduciary risks and risk response

Risk Taxonomy	Risk	Risk level	Risk response
Human Resources	If the new fiduciary staff to be hired under the executing unit does not have the relevant qualification and experience to effectively carry-out fiduciary tasks (i.e., procurement, payments, financial reporting, etc.), it could lead to inadequate fiduciary management of the project and project delays.	Medium-High	This risk will be mitigated by strengthening the institutional capacity of the executing agency through (i) the hiring of a procurement specialist and a financial specialist with experience of managing projects financed by the Bank or other multi-lateral institution; (ii) providing training and coaching to the fiduciary staff of the EA in the Bank's fiduciary processes; and (iii) establishing an implementation and supervisory mechanism for activities under Component 1 which relates to the technical assistance and vouchers program ( <i>For further details on technical assistance and vouchers program see description of Component 1 activities in section B, Objective, components, and costs</i> )

**5. Policies and Guides applicable to operation:** The procurement processes financed in full or in part by Bank resources will be conducted in accordance with the Policies for the Procurement of Goods and Works Financed by the IDB (GN-2349-15) and the Policies for the Selection and Contracting of Consultants Financed by the IDB (GN-2350-15), or those in effect at the time of project execution.

**6. Exceptions to Policies and Rules:** none

#### II. Aspects to be considered in the Special Conditions of the Loan Agreement

Pre-first disbursement conditions:
Exchange rate applicable to the documentation and rendering of expenditure in the Borrower's local currency is Option (b) (ii) of Article 4.10 of the General Conditions of the loan contract, i.e., exchange rate on the effective date of payment of each expenditure in local currency.
Type of Audit: Throughout the loan disbursement period, the EA will submit to the Bank annual audited financial statements within 120 days after the close of the fiscal year, March 31st. The audit will be conducted by a Bank-eligible independent audit firm. The audit's scope and related considerations will be governed by the Financial Management Guidelines (document OP-273-12) and the Guide for Financial Reports and Management of External Audit. Audit costs will be financed with project resources.
Other financial reports: Within 60 days after the end of each semester, an audited financial execution report for the period will be submitted as part of the semi-annual progress report.

### III. Agreements and Requirements for Procurement Execution

<input checked="" type="checkbox"/>	Bidding Documents	For procurement of Works, Goods and Services Different of Consulting executed in accordance with the Procurement Policies (document GN-2349-15), subject to ICB, the Bank's Standard Bidding Documents (SBDs) or those agreed between EA and the Bank will be used for the particular procurement. Likewise, the selection and contracting of Consulting Services will be carried out in accordance with the Policies for the Selection and Contracting of Consultants (document GN-2350-15) and the Standard Request for Proposals (SRP) issued by the Bank or agreed between the EA and the Bank will be used for the particular selection. The revision of the technical specifications, as well as the terms of reference of the procurements during the preparation of selection processes, is the responsibility of the sectorial specialist of the project. This technical review can be ex-ante and is independent of the procurement review method.
<input checked="" type="checkbox"/>	Training	For the recruitment of "Implementation of certified training programs to MSMEs owners and MSMEs employees, and to future service providers in the areas of sustainable tourism and agriculture" and "Skills strengthening component 1" to be hired as consultancies, the following procedure will be used: Quality and Cost Based Selection (QCBS).
<input checked="" type="checkbox"/>	Recurrent Expenses	The Project does not have recurrent expenses planned. In case such recurrent expenses happen to be required during the project's life, they will be made following the executing agency's administrative procedures. Such procedures will be reviewed and accepted by the Bank, provided that they do not violate the principles of value for money, economy, efficiency, equality, transparency, and integrity.
<input checked="" type="checkbox"/>	Procurement supervision	The method of supervision for the procurement processes executed by the EA shall be ex ante. If during project execution, it is identified that the EA has developed sufficient capacity, the possibility of supervising procurement processes on an ex-post basis will be evaluated.
<input checked="" type="checkbox"/>	Records and Archives	The MFEDI will be responsible for maintaining proper records and supporting documentation of all procurement processes financed with the project resources along with the relevant payment supporting documents in accordance with the terms of the loan contract.

#### Main Acquisitions

Description of the Procurement	Selection Method	New Procedures/Tools	Estimated Date	Estimated Amount US\$
<b>Goods</b>				
Hardware Equipment	International Competitive Bidding		11/01/2024	154,000
<b>Works</b>				
Non-consulting services				

<b>Description of the Procurement</b>	<b>Selection Method</b>	<b>New Procedures/Tools</b>	<b>Estimated Date</b>	<b>Estimated Amount US\$</b>
<b>Consulting Firms</b>				
Entity implementing technical assistance to farmers individuals and Farmers' organizations / MSMEs	Quality- and Cost-Based Selection (QCBS)		04/01/2024	2,550,000
Implementation of certified training programs to MSMEs owners and MSMEs employees, and to future service providers in the areas of sustainable tourism and agriculture	QCBS		06/01/2025	1,400,000
Design of certified training programs to MSMEs owners and MSMEs employees, and to future service providers in the areas of sustainable tourism and agriculture	QCBS		06/01/2024	600,000
Component 1 - Supervisory entity	QCBS		04/01/2024	590,000
Entity implementing technical assistance to tourism MSMEs	QCBS		01/01/2024	558,000
Pilot Green Certification Tourism and agricultural sectors	QCBS		03/01/2024	300,000
Component 1 - Skills strengthening	QCBS		03/01/2025	254,000
Communication and public awareness campaigns on climate and environmental risks and on resilient, low carbon and environmentally sustainable practices in agriculture and tourism	QCBS		12/01/2024	205,000
The upscale of the existing "Climate Risks Information Portal" to a "Climate and	QCBS		03/01/2025	200,000

Description of the Procurement	Selection Method	New Procedures/Tools	Estimated Date	Estimated Amount US\$
Environmental Risks Information Portal				
Impact Evaluation	QCBS		03/01/2027	200,000
<b>Individuals</b>				
Project Executing Unit Personnel	Selection of individual consultant (by open invitation)		01/01/2023	396,000
Technical Support BTB	Selection of individual consultant (by open invitation)		01/01/2023	162,000

To access, Procurement Plan ([REL#4](#)).

#### IV. Agreements and Requirements for Financial Management

<input checked="" type="checkbox"/>	Programming and Budget	The budget preparation process begins each year with the budget call whereby the MFEDI distributes a circular outlining the procedures, timelines, and forms to be completed by each ministry, department, and agency of the government. This process is applicable to external financing, including IDB resources and the resources of this project. The government has committed to allocate for each fiscal year of the project, adequate fiscal space to guarantee the timely execution of the project. As such, no bottlenecks regarding fiscal space and the budget process are anticipated for the project.
<input checked="" type="checkbox"/>	Treasury and Disbursement Management	<p>In accordance with the norms of Government of Belize, a bank account within the Central Bank of Belize will be designated for the project to receive disbursements of project resources. Payments of project expenses in local currency will be made from the Consolidated Revenue Fund account which will then be reimbursed with resources from the designated account at the Central Bank of Belize for those local payments. For foreign currency payments, the EA will request to the Central Bank of Belize to make those payments directly from the designated project bank account.</p> <p>In accordance with the disbursing norms for loan operations and the anticipated commitments and obligations of the project, it is expected that the Advance of Funds methodology will be mainly used for the project. The advance of funds, when used, will be based on the true liquidity needs of the project for a period not exceeding six months. Subsequent advances may be disbursed once 80% of the total accumulated balance pending justification has been submitted and accepted by the Bank. The other disbursement methods that may be used includes the Reimbursement of payments made and Direct Payments to Supplier.</p>

<input checked="" type="checkbox"/>	Accounting, information systems and reporting	Accounting for the project will be facilitated through SmartStream which is the Government's national financial management system, in accordance with cash-basis international public-sector accounting standards (cash-IPSAS). Additionally, QuickBooks accounting software will be used to complement SmartStream for financial reporting purposes.
<input checked="" type="checkbox"/>	Internal Control and Internal Audit	The Internal control system of Government of Belize is weak and though an Internal Audit Unit was established at the MOF in September 2020, no internal audits have been conducted so far. To ensure the internal control systems applicable to the project is adequate, there will be a POM outlining the required systems of internal controls to ensure the effective fiduciary management of the project.
<input checked="" type="checkbox"/>	External control: external financial audit and project reports	Considering that the capacity constraints of the Office of the Auditor General, the independent external audit of the program will be contracted and financed through the Program. A private audit firm considered eligible by the Bank will be procured to conduct the annual and final financial statement audits of the project. The EA will select and contract the services of an eligible auditor, in accordance with the Terms of Reference agreed with the Bank
<input checked="" type="checkbox"/>	Project Financial Supervision	The financial supervision plan of the project will focus on: (i) activities related to the implementation and follow-up of arrangements and systems being implemented for the fiduciary management of the project; (ii) follow-up on the implementation status of risk mitigating measures; and (iii) capacity building of EA personnel in the Bank's procedures and requirements. Disbursements will be reviewed on an ex-post basis.



DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-\_\_\_/22

Belize. Loan \_\_\_\_/OC-BL to Belize  
Sustainable and Inclusive Belize

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with Belize, as Borrower, for the purpose of granting it a financing to cooperate in the execution of the project "Sustainable and Inclusive Belize". Such financing will be for the amount of up to US\$15,000,000 from the resources of the Bank's Ordinary Capital and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on \_\_\_\_ 2022)

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-\_\_\_/22

Belize. Nonreimbursable Investment Financing \_\_\_\_/GR-BL to Belize.  
Sustainable and Inclusive Belize

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, as Administrator of the IDB Grant Facility, hereinafter referred to as the "Account", to enter into such contract or contracts as may be necessary with Belize, as beneficiary, for the purpose of granting it a nonreimbursable investment financing to cooperate in the execution of the project "Sustainable and Inclusive Belize". Such nonreimbursable investment financing will be for an amount of up to US\$800,000, which form part of the Account, and will be subject to the Terms and Financial Conditions and the Special Contractual Conditions in the Project Summary of the Nonreimbursable Financing Proposal.

(Adopted on \_\_\_\_ 2022)