**TC Document**

1. **Basic Information for TC**

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| * Country/Region: | BELIZE |
| * TC Name: | Design and support to the kick-off of the Sustainable and Inclusive Belize Project |
| * TC Number: | BL-T1148 |
| * Team Leader/Members: | Le Pommellec, Marion (CSD/RND) Team Leader; Salazar, Lina Piedad (CSD/RND) Alternate Team Leader; Suarez Vazquez, Gines (CSD/RND) Alternate Team Leader; Arango Laws, Jessica (VPS/ESG); Balani, Hero Ranjit (CID/CBL); Bucaram Villacis, Santiago Junior (CSD/RND); Reisinger, Ute (VPS/ESG); Restrepo, Lisa Sofia (CSD/RND); Salazar, Astrid Danielle (CID/CBL); Sanmartin Baez, Alvaro Luis (LEG/SGO); Watson, Brodrick Raylando (VPC/FMP); Henry Wade |
| * Taxonomy: | Operational Support |
| * Operation Supported by the TC: | BL-L1041 |
| * Date of TC Abstract authorization: | 14 Jan 2022 |
| * Beneficiary: | Government of Belize (Ministry of Finance, Economic Development and Investment) |
| * Executing Agency and contact name: | Inter-American Development Bank |
| * Donors providing funding: | OC SDP Window 2 - Sustainability(W2A) |
| * IDB Funding Requested: | US$200,000.00 |
| * Local counterpart funding, if any: | US$0 |
| * Disbursement period (which includes Execution period): | 24 months |
| * Required start date: | March 2022 |
| * Types of consultants: | Individual Consultants and Firms |
| * Prepared by Unit: | CSD/RND-Env, Rural Dev & Disaster Risk |
| * Unit of Disbursement Responsibility: | CID/CBL-Country Office Belize |
| * TC included in Country Strategy (y/n): | Yes |
| * TC included in CPD (y/n): | Yes |
| * Alignment to the Update to the Institutional Strategy 2020-2023: | Diversity; Economic integration; Environmental sustainability; Gender equality; Institutional capacity and rule of law; Productivity and innovation; Social inclusion and equality |

1. **Description of the Associated Loan**
   1. The COVID-19 pandemic represented an unprecedented shock for Belize’s tourism ‑dependent economy, by severely hitting this sector which constitutes 39% of GDP, 40% of total employment and 42% of total exports in 2019. Therefore, the GDP contracted by 14% in 2020. Even before the pandemic, Belize had witnessed years of slow economic growth and stagnant per capita income, with rising poverty rates and limited progress in social development indicators. Belize’s economic growth between 2013 and 2019 was volatile: GDP grew by 1.9% a year in the period 2013‑2017, by 2.9% in 2018, and slowed to 1.8% in 2019. Long-term performance has been insufficient to drive meaningful improvements in citizen welfare: average per capita income declined by 0.9% a year in the period 2010-2019, compared to an annual increase of 4.9% in the Central American region and 1.1% in the Caribbean economies. GDP per capita was US$4,699 in 2019, roughly half the Central American average of US$9,292 and a third of the Caribbean average of US$14,895. Belize has seen limited progress on social indicators in the last decade, and gender and ethnic disparities persist. It is estimated that 52% of Belizeans were living in poverty in 2018, significantly higher than the 41% recorded in 2009. Inequality, measured by the Gini coefficient, rose from 0.38 in 2009 to 0.49 in 2018. Hurricanes (Earl, in 2016; Iota and Eta, in 2019; among others), droughts and flooding have further weakened economic activity. Belize urgently needs to generate faster, sustainable, and inclusive growth to mitigate the effects of the crisis; this requires, among others, efforts to reactivate private sector-led growth (IDB, 2021a[[1]](#footnote-2)).
   2. In such a context, supporting MSMEs appears to be a priority. Indeed, MSMEs represent 99% of Belizean enterprises, and are key for jobs creation and reducing poverty. From a sector standpoint, developing the agricultural one is also considered as a priority, especially to diversify the Belizean economy, excessively dependent to the tourism sector – although the latter also needs to be supported, under a recovery perspective. However, MSME’s face major challenges that need to be tackled for sustainable and inclusive growth. Those include: (i) weak human capital and innovation, impacting productivity, operation costs and competitiveness; (ii) difficult access to credit, especially because of informality; (iii) difficult access to markets; and (iv) poor climate resilience and fragile environmental sustainability in some sectors, such as agriculture. Indeed, with Nicaragua, Guatemala and Paraguay, Belize will be among the most affected countries in LAC in terms of climate change-induced crop productivity and labor productivity losses; and of all LAC countries, increases in poverty and in crop imports and decrease in GDP would be most acute in Belize (IDB, 2021b[[2]](#footnote-3)). According to the Yale Environment Performance Index 2020[[3]](#footnote-4), in the agriculture category, that measures efforts to support healthy populations while minimizing the threats of agriculture to the environment, Belize ranks 155 of 180 countries, with a low 19,9/100 score, losing 10.1 points since 2010 and far below the 32.7/100 regional average.
   3. In this context, the Government of Belize (GoB) requested the Bank's support through a US$15,000,000 Specific Investment Loan (ESP), to increase opportunities for vulnerable populations, promoting natural resource-based economic activities in the post‑COVID‑19 context.
   4. The objectives of the “Sustainable and Inclusive Belize Project” (BL-L1041) will be to maintain and create quality and decent jobs, as well as to improve incomes in the Agriculture and Tourism sectors. To reach those objectives, the project will seek to improve MSMEs profitability; access to market; access to credit; and climate resilience/decarbonization and environmental sustainability. To achieve those results, goods and services, structured under two components, will be financed.
   5. **Component 1. Direct support to MSMEs**, will finance training and technical assistance in relevant topics, as well as non ‑reimbursable financial support to finance or co-finance investments. It will consider specific strategies and actions aiming at ensuring women, youth and ethnics inclusion.
   6. **Component 2. Policy and Institutional Strengthening** will support the delivery of relevant public services associated to Market Intelligence and Linkages and mainstreaming of Climate Change Resilience & Mitigation and Environmental Sustainability in the selected priority sectors.
   7. The operation BL-L1041 is currently under design. The Eligibility Review Meeting is expected in March and Loan Approval is expected in September 2022.
2. **Objectives and Justification of the TC** 
   1. The objective of this TC is, on the one hand, to support the conceptualization and design of operation BL-L1041, through the preparation of the required technical inputs; on the other hand, to speed up the start-up of the future loan, providing the executing agency with specialized technical assistance, to anticipate and timely address any execution challenges in the implementation of the Bank’s fiduciary policies and management instruments. As highlighted in the OVE’s “Independent Country Program Review: Belize, 2013-2021”, Belize’s limited human resources with technical and managerial skills is still a serious bottleneck for the start-up and execution of the projects. Consequently, in its new strategy with Belize, the IDB Group committed in continuing efforts in supporting execution, through capacity building and other kinds of support for project execution units.
   2. The beneficiary of the TC will be the Ministry of Finance, Economic Development and Investment, Executing Agency of operation BL-L1041.
   3. The proposed TC is consistent with the Institutional Strategy 2020-2023 (GN-2933-5) and is expected to contribute to the 2020-2023 Corporate Results Framework through the development challenges of: (i) Social inclusion and equality, since it will finance studies to support the design of an operation which beneficiaries will be vulnerable populations; (ii) Productivity and innovation, since it will finance studies to support the design of an operation which expected results include productivity improvements in the selected sectors; and (iii) Economic integration, since it will finance studies to support the design of an operation that will promote access of MSMEs to markets, both domestic and exports. The proposed TC is aligned with the cross-cutting themes of: (i) Gender equality and diversity, since it will finance gender, youth, indigenous people and afrodescendants gap assessment and mitigation plan (ii) Climate change and environmental sustainability, as it will finance studies to support the design of an operation which includes increased climate resilience, decarbonization and environmental sustainability among its specific objectives; and (iii) Institutional capacity and rule of law, since it will finance studies to support the design of an operation which includes a “institutional strengthening” component and will also finance training and technical assistance to the Executing Unit during the first year of execution. For these same reasons, it is aligned with the Bank’s “Vision 2025” opportunities of regional integration, support to SMEs, gender and diversity, and CC action. 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). It is consistent with the Sectorial Frameworks of: (i) Agriculture (GN-2709-10), in its lines of action "Promote investments that contribute to increasing the productivity of Agriculture, in line with a sustainable management of natural resources"; (ii) Environment and Biodiversity (GN 2827-3), in its dimension of success "Progress is being made towards sustainable management of natural capital and its contribution to economic growth is expanded"; (iii) Sustainable Tourism (GN-2779-7), in its dimensions of success “The share of economic benefits from tourism that is captured by the local population and vulnerable groups rises over time” and “The region’s natural and cultural heritage assets are exploited in a sustainable manner by the tourism sector and the impacts of climate change on the sector are managed; and (iv)Climate Change (GN-2835-8) in its dimension of success “Countries make progress on mainstreaming climate considerations across sectors”. To finish with, it is aligned with the objectives of the Ordinary Capital Strategic Development Program ‑ Window 2: Sustainability (W2A) (GN-2819-14).
3. **Description of activities/components and budget** 
   1. **Component I. Support to the Government of Belize in the design of operation BL-L1041 (US$150,000).** This component will finance (i) the hiring of a consulting firm to elaborate the technical and operational design of Component 1 and 2 (including the diagnosis and quantitative dimensioning of key problems to be solved; analysis of lessons learnt from similar initiatives; mapping of key stakeholders; design of technical content, implementing strategy and budget); and (ii) the hiring of an individual consultant to prepare the Gender, Youth, Indigenous People and Afro‑Descendants gap assessment and inclusion plan. Those activities are expected to initiate immediately after the TC approval.
   2. These studies will contribute to fill remaining knowledge gaps in the agriculture sector (complementing a set of studies elaborated by the FAO and the World Bank during the past 3 years) and tourism (complementing studies financed by the Sustainable Tourism Project II – loan (3566/OC-BL).
   3. The expected outcome is to have, within the established deadlines, a Proposal for Operation Development and its annexes, prepared in accordance with the highest standards established by the Bank.
   4. **Component 2. Support to agile Project kick-off.** This component will finance training and technical assistance to support the Executing Agency to comply with the contractual conditions precedent to the first disbursement, and to timely implement Bank's planning and monitoring tools and fiduciary policies. Those activities are expected to initiate immediately after the loan effectiveness.
   5. The expected outcome is that the BL-L1041 operation starts in a very agile manner immediately after loan effectiveness.
   6. The total cost of the TC is US$200,000, which will be financed by the Ordinary Capital Strategic Development Program – Window 2: Sustainability (W2A) [GN-2819-14]).

**Table 1. Indicative Budget**

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| **Activity/Component** | **Description** | **IDB/Fund Funding** | **Counterpart Funding** | **Total Funding** |
| Component 1. Support to the design of operation BL-L1041 | Technical, economic, socio-environmental viability studies | 150,000 | **-** | 150,000 |
| Component 2. Support to agile Project kick-off | Consultancies in support to operational and fiduciary activities | 50,000 | **-** | 50,000 |
| **Total** | | | | **200,000** |

* 1. The Bank will perform procurement and payment activities; therefore, the TC doesn’t include audit.

1. **Executing agency and execution structure** 
   1. At the request of the beneficiary, the Bank, through the CSD/RND division, will be the executing agency of the TC, to take full advantage of the Bank's experience and [lessons learn](https://idbg-my.sharepoint.com/:w:/g/personal/marionlp_iadb_org/EQHQkDCw-zZFrukoLuoQLboBnaBf6GsqxmyDZAlG7oX9Xg?e=b2e2VC)ed in the preparation, supervision and evaluation of similar investments operations (HO-L1010, PN-L1166, or CO-L1166, among others) and minimize the risk that TC products are delayed or do not meet the quality standards required by the Bank's loan proposal review committees, because of Belize’s limited human resources with required skills to execute operations (see ¶3.1).
   2. The Bank's Country Office in Belize will the UDR of the TC. The Bank will contract the services of (i) individual consultants, in accordance with the provisions of Policy AM‑650; and (ii) consulting firms, in accordance with the provisions of the Policy for the Selection and Hiring of Consulting Firms (GN-2765-1) and its Operational Guidelines OP-1155-4 that came into effect on January 1, 2017. Information Detailed information can be consulted in the procurement plan (Annex IV).
   3. The Bank will execute the TC in close coordination with the Beneficiary, through continuous communication, periodic work meetings, review and mutual agreement of the terms of reference for contracting studies, and joint supervision of activities, reports and products of the consultants.
   4. The Bank will monitor the TC, based on a comparison between planned and actual procurement processes; and between the deliverables foreseen in the work plan of each consultant and the ones actually delivered.
   5. The TC will not cover the execution costs (fiduciary processes, technical supervision, general monitoring) of the same. These costs will be assumed by the administrative budget of the Bank's staff who are part of the project team.
2. **Major issues** 
   1. The main risk of implementation is associated with the lack of capacity of the national counterparts to address the Bank’s requests in terms of participation to meetings, feedback to documents, or data delivery, among others. Indeed, the Bank’s pipeline for 2022 includes four new operations that are being designed in parallel, generating a heavy workload for the Belizean counterpart. This risk is being mitigated by the strong coordination led by the Country Office in Belize, aiming at developing synergies between the four (4) design processes and minimizing transaction cost for the client.
3. **Exceptions to Bank policy**
   1. There are no exceptions to Bank policy.
4. **Environmental and Social Strategy** 
   1. The TC is classified as Category B because it is supporting the preparation of a Category B operation that will have moderate socio-environmental impacts. The TC will finance the technical and socio-environmental studies for the Sustainable and Inclusive Belize Project.

**Required Annexes:**

[Request from the Client - BL-T1148](https://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=EZSHARE-1626183639-5)

[Results Matrix - BL-T1148](https://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=EZSHARE-1626183639-4)

[Terms of Reference - BL-T1148](https://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=EZSHARE-1626183639-2)

[Procurement Plan - BL-T1148](https://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=EZSHARE-1626183639-3)

1. <https://publications.iadb.org/en/bideconomics-belize-developing-sustainable-resilient-and-inclusive-belize> [↑](#footnote-ref-2)
2. <https://publications.iadb.org/en/climate-change-impacts-agriculture-latin-america-and-caribbean-application-integrated-economic> [↑](#footnote-ref-3)
3. <https://epi.yale.edu/epi-results/2020/country/blz> [↑](#footnote-ref-4)