

CONFIDENTIAL  
INTERNAL USE  
PUBLIC UPON APPROVAL

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK  
MULTILATERAL INVESTMENT FUND

**HONDURAS**

**NARANJA REPUBLIK: A DIGITAL CREATIVE DISTRICT**

**(HO-T1322)**

**DONORS MEMORANDUM**

This document was prepared by the project team consisting of Estrella Peinado-Vara (MSM/CHO) and Fausto Castillo (MIF/CHO), Project Team Co-leaders; Nalda Morales (VPC/FMP); Jesus Navarrete, (CSD/HUD); Helga Flores (KIC/ICD), Alejandra Luzardo (KIC/ICD), Matteo Grazzi (IFD/CTI); Mauricio Bastien (IFD/ICS); George Rogers (GCL/GCL); and Ruth Ann Cecilia Smith (DSP/DVF).

This document contains confidential information relating to one or more of the ten exceptions of the Access to Information Policy and will be initially treated as confidential and made available only to Bank employees. The document will be disclosed and made available to the public upon approval.

## CONTENTS

### EXECUTIVE SUMMARY

I.	THE PROBLEM .....	1
	A. Description of the problem .....	1
II.	INNOVATION PROPOSAL .....	4
	A. Description of the project .....	4
	B. Results, measurement, and monitoring .....	8
III.	PROJECT ALIGNMENT WITH THE IDB GROUP, SCALABILITY, AND RISKS .....	9
	A. Alignment with the IDB Group .....	9
	B. Scalability .....	9
	C. Project and institutional risks .....	10
IV.	INSTRUMENT AND PROPOSED BUDGET .....	10
V.	EXECUTING AGENCY AND IMPLEMENTATION STRUCTURE .....	11
	A. Description of the executing agency .....	11
	B. Structure and implementation mechanism .....	11
VI.	FULFILLMENT OF MILESTONES AND SPECIAL FIDUCIARY ARRANGEMENTS .....	12
VII.	INTELLECTUAL PROPERTY .....	12

## PROJECT SUMMARY

### NARANJA REPUBLIK: A DIGITAL CREATIVE DISTRICT

#### HO-T1322

The Historic Center of Tegucigalpa and Comayagüela (CHTC) has steadily deteriorated in the years since Hurricane Mitch (1998), following which a ban was imposed on construction in affected areas, which has hindered reconstruction work and led to the depopulation of the city center. The image of Historic Center of Tegucigalpa and Comayagüela has taken a hit, with the area now perceived as vulnerable and unsafe despite its cultural and economic significance and potential.

Honduras has one of the hemisphere's highest youth unemployment rates, and the working age population is expected to grow for a long time to come.<sup>1</sup> This stands in contrast to an economy marked by low productivity and limited capacity to generate quality jobs. Young people who neither work nor study account for 26% of the 15-24 age group, higher than the Latin American and Caribbean average of 15.5%.

These unemployment figures, which reflect the need for more inclusive growth, together with the deterioration seen in the CHTC, necessitate a process of revitalization, with innovative solutions and approaches to urban problems that generate jobs and prosperity. An opportunity exists to support creativity and talent and leverage new economic dynamics around the Orange Economy and the digital agenda.

The proposed intervention aims to create *Naranja Republik* (Digital Creative District) and support a process of urban revitalization to turn the CHTC into an innovation ecosystem bringing together citizens, creative entrepreneurs, companies, universities, and public and private institutions in the Orange Economy, focusing particularly on the youth population. It includes showcasing cultural heritage through urban interventions, supporting the development of creative industries and the technology-based entrepreneurial ecosystem and the digital agenda. The project aims to improve the quality of life of the people who live in the CHTC. Other results include: a strengthened emerging ecosystem of digital creative entrepreneurship in which training in urban revitalization and creative industries will be provided to 550 professionals; training in technical areas will be provided to 960 creative entrepreneurs; in programing to 360 young people; and in digital entrepreneurship to a further 360 young people. In addition, support will be provided for 60 creative projects and 30 technology-based ventures. The project indicators contribute to Sustainable Development Goals (SDGs) 8, 9, and 11.<sup>2</sup>

Through this pilot project, learning will be generated about the potential of the Orange Economy to revitalize and galvanize the urban economy. The hope is that this project can be replicated in other areas of Honduras and other countries of the region. This project will also provide inputs for the preparation of future IDB Group operations.

---

<sup>1</sup> The working-age population will grow at an estimated average annual rate of 5% until it peaks in 2040 (IDB, 2017).

<sup>2</sup> Sustainable cities and communities (SDG 11); Decent work and economic growth (SDG 8); and Industry, innovation, and infrastructure (SDG 9).

## **ANNEXES**

Annex I	Results Matrix
Annex II	Budget Summary

## **APPENDICES**

Proposed resolution

## **INFORMATION AVAILABLE IN THE TECHNICAL DOCUMENTS SECTION OF THE IDB LAB PROJECT INFORMATION SYSTEM**

Annex III	Itemized budget
Annex IV	Diagnostic needs assessment of the executing agency (DNA) [includes due diligence and integrity analysis]
Annex V	Project status reports (PSR) and fulfillment of milestones and fiduciary arrangements.
Annex VI	Procurement plan

## ABBREVIATIONS

AACID	Agencia Andaluza de Cooperación Internacional para el Desarrollo [Andalusian Agency for International Development Cooperation]
AECID	Agencia Española de Cooperación Internacional para el Desarrollo [Spanish Agency for International Development Cooperation]
AMDC	Alcaldía Municipal del Distrito Central [Central District Municipal Government]
CAC-UNAH	Centro de Arte y Cultura de la Universidad Nacional Autónoma de Honduras [Center for Art and Culture at the Honduras Autonomous University]
CADERH	Centro Asesor para el Desarrollo de los Recursos Humanos [Human Resources Development Advisory Center]
CCET	Centro Cultural de España en Tegucigalpa [Spanish Cultural Center in Tegucigalpa]
CCIT	Tegucigalpa Chamber of Commerce and Industry
CEDAC	Centro de Diseño Arquitectura y Construcción [Center for Architecture and Construction Design]
CHTC	Historic Center of Tegucigalpa and Comayagüela
CONATEL	Comisión Nacional de Telecomunicaciones [National Telecommunications Commission]
DNA	Diagnostic needs assessment
ECLAC	Economic Commission for Latin America and the Caribbean.
ESCI	Emerging and Sustainable Cities Initiative
GDP	Gross domestic product
IEDA	Innovation Ecosystem Development
IHAH	Instituto Hondureño de Antropología e Historia [Honduran Institute of Anthropology and History]
IHCIETI	Instituto Hondureño de Ciencia, Tecnología e Innovación [Honduran Institute of Science, Technology and Innovation]
iiI	IED Innovation Lab
INFOP	Instituto Nacional de Formación Profesional [National Vocational Training Institute]
MIN	Fundación Hondureña para la Identidad Nacional [Honduran Foundation for National Identity]
MINTIC	Ministry of Information and Communication Technologies
Mua	Mujeres en las Artes [Women in the Arts]
OIC	Observatorio de Industrias Creativas [Creative Industries Observatory], Buenos Aires
SDGs	Sustainable Development Goals
STEAM	Science, Technology, Engineering, Arts and Math
UMEP	Unidades Metropolitanas [Metropolitan Units ]
UNAH	Universidad Nacional Autónoma de Honduras [National Autonomous University of Honduras]
UNCTAD	United Nations Conference on Trade and Development
UNITEC	Universidad Tecnológica Centroamericana [Central American Technological University]
USAID	United States Agency for International Development

**HONDURAS**  
**NARANJA REPUBLIC: A DIGITAL CREATIVE DISTRICT**  
**(HO-T1322)**

**EXECUTIVE SUMMARY**

<b>Country and geographical location:</b>	Honduras-Historic Center of Tegucigalpa and Comayagüela, Central District Municipality		
<b>Executing agency:</b>	Fundación del Museo para la Identidad Nacional (MIN)		
<b>Focus area:</b>	Inclusive Cities		
<b>Coordination with other donors/Bank operations:</b>	Spanish Agency for International Development Cooperation (AECID), Andalusian Agency for International Development Cooperation (AACID), United States Agency for International Development (USAID). Efforts will also be coordinated with WeXchange and projects HO-T1256, RG-T2662, RG-T2903, RG-M1228, and RG-T3019. <sup>3</sup>		
<b>Project beneficiaries:</b>	The project will directly benefit: 7,000 people living in the Historic Center of Tegucigalpa y Comayagüela, who will see their quality of life improve; an emerging ecosystem for digital creative entrepreneurship that will be strengthened; and the creative and digital entrepreneurs who will be supported.		
<b>Financing:</b>	Technical cooperation:	US\$ 1,500,000	38%
	<b>TOTAL IDB Lab CONTRIBUTION:</b>	US\$ 1,500,000	
	Counterpart:	US\$ 2,441,074	62%
	Cofinancing:	-	
	<b>TOTAL PROJECT BUDGET:</b>	US\$ 3,941,074	100%
<b>Execution and disbursement period:</b>	36 months for execution and 42 months for disbursement.		
<b>Special contractual conditions:</b>	The conditions precedent to the first disbursement will be: (a) appointment of the project coordinator; and (b) letters of agreement with the universities and other project participants.		
<b>Environmental and social impact review:</b>	This operation was prescreened and classified according to the requirements of the Bank's Environment and Safeguards Compliance Policy (OP-703) on 31 August 2018. Given that the impacts and risks are limited, the proposed classification for the operation is as a category "C" project.		
<b>Unit with disbursement responsibility:</b>	COF/CHO		

<sup>3</sup> HO-T1256, Support for the Strengthening of the National System of Science, Technology, and Innovation in Honduras; RG-T2662, Institutional Strengthening through the Creation of an Innovation Ecosystem Development Accelerator-IEDA; RG-T2903, Impact Hub Promotion of Resilient Entrepreneurs in El Salvador, Honduras, and Nicaragua; RG-M1228, Platform for Catalyzing Early Stage Investment; and RG-T3019, WISE-Women in STEM.

## I. THE PROBLEM

### A. Description of the problem

- 1.1 **Deterioration of the Historic Center.** The Historic Center of Tegucigalpa and Comayagüela (CHTC) is an icon of Honduran identity. It covers an area of just under one square kilometer and was designated the Historic Center of the Central District in 1994. It includes some unique buildings and an emblematic landscape facing the Choluteca River. It is the nearest public space and communal area for many of the capital's poorer communities. It is where the capital's most important architectural and historic heritage is located<sup>4</sup> and where the main financial services and commercial activities are based.
- 1.2 The CHTC is characterized by lively commercial activity during the day, with a young population and good access to technology. However, the pattern of urban expansion has been unplanned and has led to a concentration of poverty, complex transport nodes, increasing social segregation, and high levels of informal employment.
- 1.3 The CHTC has steadily deteriorated in the years since Hurricane Mitch (1998), following which a ban was imposed on construction in affected areas, which has hindered reconstruction work and led to the depopulation of the city center. The image of the CHTC taken a hit, with the area now perceived as vulnerable and unsafe, despite its cultural and economic significance and potential.
- 1.4 **Growth.** Between 2010 and 2017, Honduras' economy grew by an average of 3.7% per year, faster than the rest of Latin America and the Caribbean (2%). The Honduran economy's positive trajectory has not, however, resulted in a significant reduction in poverty or a process of change in the production and employment structure. The challenge is to make economic growth more inclusive.
- 1.5 **Youth employment and migration.** Honduras has one of the hemisphere's highest youth unemployment rates, and the working age population is expected to grow for a long time to come.<sup>5</sup> This stands in contrast to an economy marked by low productivity and limited capacity to generate quality jobs. Young people who neither work nor study account for 26% of the 15-24 age group, higher than the Latin American and Caribbean average of 15.5%.
- 1.6 One in eight Hondurans live abroad. Over the past three years, an average of 170 Hondurans seeking a better life in another country have been deported every day, and 70% of them are under 30. These figures reflect the need to generate opportunities in new sectors or in innovative ways in traditional sectors.
- 1.7 **Orange Economy.** The Bank defines the Orange Economy as the set of activities that, when linked together in a chain, allow ideas to be transformed into cultural goods and services, the value of which is determined by their intellectual property content.<sup>6</sup> It is the sector of the economy that uses "talent and creativity as its main

---

<sup>4</sup> It has 217 buildings catalogued as being of heritage value, 131 unique buildings, and 91,883 m<sup>2</sup> of unused or underused lots.

<sup>5</sup> The working-age population will grow at an estimated average rate of 5% per year until peaking in 2040 (IDB, 2017).

<sup>6</sup> F. Buitrago Restrepo, I. Duque Marquez. (2013). The Orange Economy: An Infinite Opportunity. IDB <https://publications.iadb.org/handle/11319/3659?locale-attribute=en>.

inputs.” It includes elements obtaining value from tangible and intangible heritage (historic buildings, museums, festivals, gastronomy, and crafts); traditional arts (painting, sculpture, photography, theater, dance, music, and circus); audiovisual media (cinema, television, radio, publishing, and new platforms) and functional creations (architecture, digital animation, videogames, advertising, fashion, interior design, graphic design, and jewelry).

- 1.8 The Orange Economy helps generate wealth and value, create jobs, and achieve social impact. For example, worldwide it generates over 29 million jobs (more than the automotive industry in Japan, Europe, and the United States combined). To bring about a process of urban revitalization and inclusive development with innovative approaches and solutions for urban problems, the CHTC needs to support creativity and talent and leverage the new dynamics surrounding the Orange Economy and the digital agenda.
- 1.9 Creative industries are a major force in some cities in Latin America and the Caribbean. According to the Buenos Aires Creative Industries Observatory (OIC),<sup>7</sup> in 2011 these industries contributed 9.2% of the gross geographic product (GGP) of Argentina’s capital city. Regionally, the average contribution of creative and cultural industries to gross domestic product (GDP) in Latin America and the Caribbean is estimated at around 2.2%.<sup>8</sup>
- 1.10 Data for 2010 from the Economic Commission for Latin America and the Caribbean (ECLAC) show that in Honduras cultural employment represented 31,700 people (1.0% of total employment), while the sum of auxiliary activities yielded a subtotal of 36,100 (1.2%). Activities related to culture employed 41,200 people (1.3%). Exports by creative industries in 2012 came to US\$34.05 million<sup>9</sup> (UNCTAD, 2016). The sectors evaluated in the measurement include crafts, audiovisual, new media, design, performing arts, visual arts, and publications.
- 1.11 The sustainable local economic development of cities is increasingly determined by their level of productivity and ability to foster inclusion through creativity and innovation. According to the United Nations’ post-2015 Development Agenda, investment in culture and creativity is a powerful means of revitalizing cities’ local economies and also generates a series of nonmonetary benefits, such as better social inclusion and resilience, while incentivizing the use of local resources and knowledge.
- 1.12 These new dynamics are not emerging with sufficient strength in Honduras, partly because of factors relating to the physical environment of an area with considerable potential but in the grips of deterioration and depopulation and partly because of the lack of any comprehensive/cohesive public policy for cultural and creative industries. It is important that the two elements be addressed in a holistic

---

<sup>7</sup> Observatorio de Industrias Creativas de Buenos Aires. (2012). Anuario de Industrias Creativas Ciudad de Buenos Aires 2011 [Buenos Aires Creative Industries Yearbook]. Buenos Aires: Observatorio de Industrias Creativas. Available at: [http://www.buenosaires.gob.ar/sites/gcaba/files/anuariooic2011\\_0.pdf](http://www.buenosaires.gob.ar/sites/gcaba/files/anuariooic2011_0.pdf).

<sup>8</sup> M. Lhermitte, B. Perrin and S. Blanc. (2015). Cultural Times - The First Global Map of Cultural and Creative Industries. EY. Available at: [http://www.worldcreative.org/wp-content/uploads/2016/03/EY\\_CulturalTimes2015\\_ES\\_Download.pdf](http://www.worldcreative.org/wp-content/uploads/2016/03/EY_CulturalTimes2015_ES_Download.pdf).

<sup>9</sup> Of this amount, US\$27.49 million corresponded to creative goods and US\$6.56 million to creative services.

way. An approach focused only on the urban landscape, buildings, and infrastructure (place-based) is not sufficient to trigger new opportunities. Instead, a people-based approach is needed, in order to cultivate talent, by focusing on human capital and community participation.

- 1.13 **Devalued heritage.** The CHTC is home to the capital's main architectural and historic heritage, with 217 buildings catalogued as being of heritage value, 131 unique buildings, and 91,883 square meters of vacant or underutilized land. According to the Central District Municipal Government's (AMDC) Historic Center Office, 11% of the area's buildings are empty, and 7.1% of the area comprises empty or abandoned lots. Of the 217 buildings catalogued as being of heritage value, 51% are in fair condition and 12% in poor condition. Although there is an Emerging and Sustainable Cities Initiative (ESCI) Action Plan for Tegucigalpa and Comayagüela and a Master Plan for the historic city center developed by the University of Seville (Spain) with AECID resources, the institutional capacity of the AMDC's Historic Center Office and the Honduran Institute of Anthropology and History (IHAIH) is too weak to address some of the urban challenges facing the CHTC, and they lack an appropriate legal framework and suitable fiscal instruments.
- 1.14 **Urban challenges.** Enduring problems include mobility and access; waste management and informal street commerce; underutilized and poorly maintained public spaces; and limited housing options.
- 1.15 **Undiversified economic activity.** Although it concentrates much of the city's economic activity,<sup>10</sup> these are not high-value-added activities. Over the course of 2019, a number of government departments are due to relocate to a civic center in another area of the Central District. This will lead to fewer people coming into the Historic Center and some buildings going out of use, reinforcing the perception of the zone's neglect while creating an opportunity to renovate and find new uses for these buildings.
- 1.16 **Perception of insecurity.** The CHTC has not managed to fully recover from the effects of Hurricane Mitch (1998) and has lost inhabitants who have migrated in recent years to other parts of the city (Morazán and Suyapa Boulevards). The CHTC is home to approximately 7,000 residents, 12% fewer than in 2001, and commercial and services establishments predominate, which are mainly active only during the day. This process has led to a perception of insecurity. The National Police divides the central district into four metropolitan units (UMEP) for administrative purposes. The Historic Center is in UMEP 1 (Center). According to official statistics,<sup>11</sup> from 2014 to 2016, of the four UMEPs, although the central district (UMEP 1) of Tegucigalpa had the most negative perception, it did not account for the largest number of homicides, with UMEP 2 having 336 cases, compared with 154 in the central district.<sup>12</sup>

---

<sup>10</sup> According to the Action Plan for Tegucigalpa and Comayagüela, ESCI, IDB (2015), the CHTC hosted 52% of the city's commercial activity.

<sup>11</sup> Analysis based on the police statistics system and the urban marginalization and violence index, IDB, 2018. <https://www.iadb.org/Document.cfm?id=EZSHARE-2057183708-82>.

<sup>12</sup> Compared with: UMEP 3: 166 and UMEP 4: 192 (2014-2016).

- 1.17 **Lack of awareness of the potential of the Orange Economy.** There is no permanent data collection mechanism that would make it possible to ascertain the contribution of the creative industries to employment and GDP. It is therefore difficult to recognize their potential and take action to promote them. As in many other countries, the regulatory framework in Honduras for creative activities is obsolete, particularly in the case of technology and digital development, as in the case of intellectual property protection laws.
- 1.18 **Human capital competencies.** Efforts are need to strengthen the skills of creative entrepreneurs in artistic processes, university education, and complementary vocational training for the creative industries, as well as in business management and support for creative and technology-based entrepreneurship.

## II. INNOVATION PROPOSAL

### A. Description of the project

- 2.1 The intervention aims to support the creation of *Naranja Republik* (Digital Creative District) and to underpin a process of urban revitalization to turn the CHTC into an innovation ecosystem bringing together citizens, entrepreneurs, companies, universities, and public and private institutions in the Orange Economy. It includes elements of: (i) urban transformation and valorization of heritage; (ii) support for the development of the Orange Economy; and (iii) support for the consolidation of the technology-based entrepreneurial ecosystem and the digital agenda.
- 2.2 **Innovation.** The proposal stands out for its focus on the Orange Economy (cultural, creative, and digital) as a mechanism of urban revitalization to generate more inclusive economic opportunities, improve conditions for the CHTC and the actors involved (improving digital creative capacities), resolve important problems, and mobilize creative ventures through new technologies and the adaptation of distribution platforms, as well as the development of innovative channels for market information generation and access. Innovative methods and international best practices for the training of creative entrepreneurs will also be implemented.
- 2.3 The creative industries are at the forefront of urban revitalization worldwide, contributing to the renewal of obsolete infrastructure and depressed urban areas through measures such as the creation of cultural districts. The creative industries can be significant drivers of sustainable economic development through the competitiveness of cities.
- 2.4 The literature on the creative industries and urban revitalization shows that creativity, innovation, and entrepreneurship are key to improving cities' economic competitiveness. To strengthen the creative economic ecosystem, it will be necessary for all social actors—government, private sector, entrepreneurs, academia, and civil society—to work together.
- 2.5 This intervention will transform the CHTC into a digital creative district, strengthening creative young entrepreneurs and promoting the workforce integration of young Hondurans , thus improving their situation in the labor market and ensuring that more and better opportunities are developed in the CHTC through new technologies. The CHTC is a space connecting communities from all social strata and is the place where the public has traditionally gathered.

Intervention in this space will have an impact on the social fabric and identity while boosting the municipio's competitiveness.

- 2.6 The following sections describe the components that will be used to explore the disruptive technologies with greatest potential for application in the city (Smart Cities solutions), the ecosystem and creative ventures (blockchain for intellectual property protection, smart contracts; augmented/virtual reality, etc.), digitalization of administrative formalities and permits, and distribution platforms, with a view to achieving exponential social and economic impact.
- 2.7 **Component I: Urban revitalization of the CHTC (IDB Lab: US\$589,990; counterpart US\$1,253,226).** The objective of this component is to provide the CHTC with the planning, management, and funding tools to safeguard and showcase its heritage, giving priority to holistic actions conducive to sustainable, resilient, and equitable urban development that promote densification and mixed use of land and space, combining housing, work, and leisure options, and ensuring implementation is feasible through the efficient use of public resources, private sector participation, and support from external sources.
- 2.8 The CHTC has an excellent opportunity to capitalize on its cultural and natural heritage. It includes institutions promoting the arts and strengthening historical memory, such as the Manuel Bonilla National Theater, the National Art Gallery, and the Museum for National Identity. There are also parks and squares, such as La Concordia, El Obelisco, La Leona, Parque Central, Parque La Libertad, etc. The generation of creative activity around these cultural and recreational assets, through initiatives to rehabilitate the public space and stimulate the property market, would enable a better investment climate, essential to generate the decent, stable jobs the capital's population needs. Experimental urban planning interventions will also be carried out in the CHTC, identified through an urban laboratory focusing on solutions for the creative industries (Naranja Republik Lab) as an agent of creative activation and transformation of tangible and intangible assets in the CHTC.
- 2.9 The expected outcomes/outputs of this component are: (a) 550 professionals (municipal technical personnel, creatives, universities, and civil society) trained/training workshops and strategic partnerships with all actors involved in management of the CHTC (municipal technical personnel, sector professionals, universities, and civil society); (b) 12 planning, management, and financing instruments developed/specialized technical assistance for institutional strengthening at the AMDC's Historic Center Office (creation of a one-stop shop with participation of the Tegucigalpa Chamber of Industry and Commerce (CCIT), cataloguing of buildings, market studies, and assessment of property values, funding mechanisms, business models, and review of mechanisms for recovery of capital gains taxes, etc.); (c) sharing of experiences with other cities; (d) use of reclaimed spaces and properties (financed with counterpart resources from AECID, AACID, Raíz Capital, and national banks) such as the Parque La Concordia, Cabildo Municipal, theaters, galleries, etc. for creative activities; (e) 22 creative projects supported around reclaimed spaces/program of cultural activities and their implementation around reclaimed spaces/properties; (f) urban

laboratory to identify challenges and experiment with solutions from the creative industries;<sup>13</sup> and (g) experimental urban interventions.<sup>14</sup>

- 2.10 **Component II: Promoting the Orange Economy-Naranja Republik-Digital Creative District (IDB Lab: US\$373,280; Counterpart US\$877,315).** The objective of this component is to strengthen the creative industries in the CHTC in order to diversify the area's economy and contribute to its urban revitalization. Synergies between creativity, innovation, and entrepreneurship in the CHTC will be facilitated. The geographical proximity of companies, suppliers, research institutes, and other actors is considered crucial to the development of the creative industries.
- 2.11 Activities will be carried out to raise awareness about the Orange Economy and its contribution to a more inclusive economy among the public and private parties concerned. This component will strengthen both the supply of creative services and human capital adapted to the level of entrepreneurship or professional development and the demand for creative goods and services in order to strengthen existing cultural assets. Mechanisms to generate strategic information will be developed so that creative projects are conceptualized on the basis of existing demand. Funding mechanisms<sup>15</sup> will be set up for creative projects, new spaces, and cultural and creative equipment. Activities will be supported that involve the local creative community by coordinating efforts with actors in the field, such as the Cultural Centers Committee, with a special emphasis on those located in the CHTC.<sup>16</sup>
- 2.12 Strengthening creative demand entails raising awareness about the importance of the contribution of the Orange Economy for decision makers, development of mechanisms to incentivize private sector use of creative goods and services, and information campaigns to educate the general public about the importance of tangible and intangible cultural heritage and creativity.
- 2.13 The expected outcomes/outputs of this component are: (i) competitions to identify creative talent in various subsectors; (ii) creative training plans with curricular options (graduate and post-graduate); (iii) 96 creative ventures supported /participation of creative projects in fairs, festivals, competitions, etc. to promote and market creative products and services in the country and abroad; (iv) 180 creative entrepreneurs trained/management courses for creative ventures; (v) knowledge-sharing with creative groups in other countries; (vi) spaces for the creative process<sup>17</sup> (workshops, common spaces, shared tools, along the lines of co-working spaces, FabLab, medialabs, etc.); (vii) spaces for artistic expressions in the CHTC (viii) strengthening of arts and crafts schools (vocational training with internships); (ix) 60 creative projects supported/new funding mechanisms; (x) Orange Connection Network facilitating relationships between the creative

---

<sup>13</sup> Similar to the IED City Lab approach in iil. <http://iedinnovationlab.com>.

<sup>14</sup> Lessons learned from the CSD/HUD Cities Lab will be incorporated.

<sup>15</sup> The project will be coordinated with other initiatives and projects, such as the Innovation Ecosystem Development Accelerator-IEDA (RG-T2662).

<sup>16</sup> Women in the Arts (Mua); Honduras Autonomous University Arts and Cultural Center (CAC-UNAH), National Gallery, Morazán Museum, Spanish Cultural Center in Tegucigalpa (CCET), National Library and Honduran Institute of Anthropology and History (IAHA).

<sup>17</sup> The project will coordinate with the Tegucigalpa Chamber of Industry and Commerce (CCIT), CCET MediaLab, UNITEC ImagineLab, and the Comayagüela Ciudad Digital TechHub.

- community and generation of new business opportunities; (xi) study on consumer trends in various subsectors of foreign and domestic markets; (xii) 60 creative products registered/guides and studies on intellectual property rights in various subsectors; (xiii) 60 companies that use instruments and incentives/incentive mechanisms for the use of creative products and services (such as vouchers); (xiv) information campaign on the Orange Economy; and (xv) image of Naranja Republik: A Digital Creative District.
- 2.14 As part of the strategic information, this component will include development of a program monitoring system to record the effects that this model of support has on the CHTC creative ecosystem and the local economy.
- 2.15 **Component III: Support for creative technology ventures and the digital agenda (IDB Lab: US\$151,730; Counterpart US\$214,980).** The objective of this component is to turn the CHTC into a creative entrepreneurial ecosystem focusing on digital media and technology and digital audiovisual production (animation, videogames, multimedia, augmented/virtual reality, etc.) in a prototype smart city. For this, the project will work jointly with the Comayagüela Ciudad Digital Project,<sup>18</sup> its partners, and other actors, such as universities—UNITEC, UNAH, and CEDAC—and ImpactHub and other initiatives led by the entrepreneurial community,<sup>19</sup> and public and private start-up support programs.<sup>20</sup>
- 2.16 The training opportunities that are available will be strengthened by identifying gaps in the country, and the necessary curricular adaptations will be promoted to meet the demands of ventures in the sector. The project will work with the academic sector, other vocational training institutions and the National Vocational Training Institute (INFOP), and the Human Resources Development Advisory Center (CADERH) to analyze international best practice in science, technology, engineering, art, and math (STEAM) training. Collaboration between universities, creatives, and entrepreneurs will be fostered so that students acquire practical experience.
- 2.17 In order to strengthen entrepreneurial knowledge and culture, this component will support existing incubators and mentor networks, the organization of innovation and entrepreneurship events by the entrepreneurial community, and the participation of community representatives in international events.
- 2.18 As regards access to funding, the groundwork will be laid for the creation of a network of angel investors, essential for financial capital and smart capital that gives entrepreneurs critical guidance. In addition, the legal and tax framework for technology investment and ventures will be reviewed to identify and propose

---

<sup>18</sup> Program supported by the National Telecommunications Commission (CONATEL) and the private sector through Honduras 2020.

<sup>19</sup> Startup Reef, Blockchain Developers Honduras, Google Developers Group, Startup Weekend, La Vida Startup, Rosalia Estudio, Real Ledge, Creative Mornings, Mipyme Legal, Women do Tech, Fuck Up Nights, Angel Hack, TEDx, Barcamp, Casa Quinchon, Fundacion Eleutera, Startup Grind, Thinkers and Makers, Connect Cowork, Widú, Cemprende, etc.

<sup>20</sup> Honduras Startup (Organized by the Honduran Institute of Science, Technology and Innovation-IHCIETI); Honduras Digital Challenge (Banco Atlántida), La Fabrica Smart (Tigo) Robot and Drone Challenge (IHCIETI), Honduras Emprende (Chamber of Commerce), Road to Innovate Summit (National Industrialists Association-ANDI), Technological Innovation Prize (Ficohsa), Hondur Camp Tech (IHCIETI), Innovation Fest (La Prensa), Think Digital Today, etc.

mechanisms for the creation of startups, intellectual property, contracts, reconciliation and arbitration, and instruments compatible with the characteristics of technology-based ventures.

- 2.19 The expected outcomes/outputs of this component are: (a) 360 young people trained in programming/a programming school for young people;<sup>21</sup> (b) 360 young people trained in entrepreneurship for technology projects/a vocational training school for ventures/startups; (c) a proposal for the creation of a network of angel investors; (d) a proposal for adjustments to the legal and tax system to promote creative technological entrepreneurship; (e) organization of contests for ideas and ventures; (f) 10 technology-based ventures supported to participate in events and competitions/partial grants to support the participation of entrepreneurs in national and international events; and (g) 30 technology-based ventures supported/competitive prizes for ideas/ventures.

## **B. Results, measurement, and monitoring**

- 2.20 The project is expected to produce the following results: an emerging ecosystem for digital creative entrepreneurship strengthened with IDB Lab support, and improved quality of life for 7,000 residents of the Historic Center of Tegucigalpa and Comayagüela (CHTC). Technical training in urban revitalization and creative industries will be provided to 550 professionals; 960 creative entrepreneurs; 360 young people in programming; and another 360 in digital entrepreneurship. In addition, support will be provided for 60 creative projects and 30 technology-based ventures. These indicators contribute to Sustainable Development Goals (SDGs) 8, 9, and 11.<sup>22</sup>
- 2.21 **Monitoring and evaluation.** The project has an evaluation plan that includes resources to develop the midterm monitoring and evaluation system.<sup>23</sup> The midterm evaluation will be conducted once half of the resources have been disbursed or halfway through the executive period. A composite indicator will be developed based on the selection of the urban sustainability indicators used for the "Tegucigalpa Cómo Vamos" program,<sup>24</sup> which include inequality, land use, housing and public spaces, mobility and transportation, competitiveness and the business environment, employment, education, health, modern and participatory public administration, and transparency, specific for the CHTC. Through this project, learning will be generated on the Orange Economy's potential for revitalizing and galvanizing the urban economy and the impacts of this model of support on the

---

<sup>21</sup> In coordination with Laboratorio DIA and Centro POETA in Comayagüela Ciudad Digital.

<sup>22</sup> Sustainable cities and communities (SDG 11); Decent work and economic growth (SDG 8); and Industry, Innovation and Infrastructure (SDG 9). Particularly, 8.2 "Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labor-intensive sectors"; 8.6 "substantially reduce the proportion of youth not in employment, education or training"; 8.9 "devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture and products; 9.b "Support domestic technology development, research and innovation in developing countries, including by ensuring a conducive policy environment for, inter alia, industrial diversification and value addition to commodities"; and 11.4 "Strengthen efforts to protect and safeguard the world's cultural and natural heritage".

<sup>23</sup> The monitoring system "Centro Cómo Vamos" has a US\$45,000 budget for the project. A preliminary budget of US\$12,000 has been set aside for the midterm evaluation.

<sup>24</sup> [www.tegucigalpacomovamos.org](http://www.tegucigalpacomovamos.org).

CHTC's creative ecosystem and the local economy. The monitoring activities are expected to provide the information necessary for evaluation.

- 2.22 A technology platform to monitor progress and achievement of the results. This platform will allow for ongoing monitoring. For components 2 and 3, a monitoring system will be established with training institutions in order to track the development of human capital capacity and the linkages with the Orange Economy.

### **III. PROJECT ALIGNMENT WITH THE IDB GROUP, SCALABILITY, AND RISKS**

#### **A. Alignment with the IDB Group**

- 3.1 The project is aligned with the Update to the Institutional Strategy, specifically with the challenges related to social inclusion and equality and to productivity and innovation. Alignment with the IDB Group's country strategy with Honduras (2015-2018)<sup>25</sup> is reflected in the project's attention to the priority topic of sustainable development in the central district, where the Bank aims to improve quality of life in degraded urban areas. The project is aligned with the Housing and Urban Development Division (CSD/HUD)<sup>26</sup> on the topic of urban revitalization based on culture, compact cities, and more competitive cities. Moreover, through the Urban Lab (RG-T2983), an experiment is being developed with mini-collection centers to improve waste management, together with four interventions related to road safety and use of public space with temporary urban furniture in the CHTC.
- 3.2 Opportunities exist for IDB Invest to finance operations to renovate buildings for commercial use and as affordable housing in the CHTC and for future operations associated with financial institutions and financing for technology ventures.
- 3.3 The project is aligned with the support being provided by the Science and Technology Division (IFD/CTI) to the Honduran government for the development of innovation, disruptive ventures, and the Digital Agenda with the IHCIETI,<sup>27</sup> as well as the development of public policies for the development of the Orange Economy. In the case of the Innovation and Culture Division (KIC/ICD), it is aligned with the strategy of support for the development of the ecosystem of innovation and creativity agendas, with the strengthening of learning about the Orange Economy and strengthening of the entrepreneurial ecosystem around activities and connections to Latin American and Caribbean networks for knowledge transfer.

#### **B. Scalability**

- 3.4 The project will generate learning enabling both the public and private sectors to scale up the initiative. The Honduran government is interested in the development of the Orange Economy and the Digital Agenda, with the idea of replicating the

---

<sup>25</sup> Document GN-2796-1.

<sup>26</sup> Specifically, with *Patrimonio Vivo* (at the design stage) in the recovery of urban space and buildings components, and it is a multisectoral Bank program with support from the Government of Spain, focused on strengthening the capacities of cities in Latin America and the Caribbean to promote conservation and use of urban heritage as a catalyst for economic, environmental, and social progress, and as a means of strengthening cultural identity and sustainable urban development.

<sup>27</sup> Honduran Institute of Science, Technology and Innovation (IHCIETI), HO-T1256-Support for the Strengthening of the National System of Science, Technology and Innovation in Honduras

digital creative district in San Pedro Sula and other cities in the country. The project includes the creation of a network of orange connections that will facilitate these processes of scale-up through replication.

- 3.5 The participation of major universities—UNITEC, UNAH, CEDAC and others—can provide the scale needed from academia. Additional heft will be provided by private sector participants, such as Raíz Capital, a strategic partner backing the revitalization of the CHTC based on the valorization of tangible and intangible heritage and urban densification, along with technology ventures and established companies in Comayagüela. Partnerships exist between the government and Intel, Microsoft, Facebook, Amazon Web Services, the Colombian Ministry of Information and Communications Technologies (MINTIC), and the Carlos Slim Foundation for the Comayagüela Ciudad Digital TechHub.

### **C. Project and institutional risks**

- 3.6 Risks: (i) fiduciary or technical execution capacity of the partner(s); (ii) insufficient base or interest by digital creative entrepreneurs in participating; (iii) lack of technical capabilities at local level to carry out the digital leveling processes; (iv) companies have difficulty identifying relevant technological solutions; (v) lack of interest on the demand side for the creative goods and services; and (vi) possible rejection by local groups more sensitive to the negative impact of the improvement of the CHTC and the effects of possible gentrification. Mitigating actions: (i) institutional and technical strengthening of the executing unit(s); (ii) intense dissemination, collaborative actions between groups of companies/entrepreneurs, and support for competitions as well as proposals for (seed) funding mechanisms; (iii) efforts to tap and strengthen local talent but also attract talent from abroad if necessary to generate local capacity; (iv) in-depth mapping and dissemination of digital innovations that can be applied to creative sectors; (v) publicity campaigns on the importance of the Orange Economy for inclusive development and training; and (vi) preparation of a strategy for the mitigation of these effects (for example, affordable housing solutions) from the outset incorporating citizen participation mechanisms, awareness-raising, training, and joint activities.

## **IV. INSTRUMENT AND PROPOSED BUDGET**

- 4.1 The total cost of the project is US\$3,941,074, of which US\$1,500,000 (38%) will be provided by IDB Lab and US\$2,441,074 (62%) by the counterpart. Support will be delivered in the form of a technical cooperation operation inasmuch as the proposal is for a pilot project to create a creative district as a mechanism for urban revitalization and catalyst for economic development, which will require strengthening a creative and technology-based entrepreneurial ecosystem that is very much in its infancy.

	IDB Lab	Counterpart	Total
<b>Project components</b>			
Component 1: Urban revitalization of the CHTC	589,990	1,253,226	1,843,216
Component 2: Promoting the Orange Economy-Naranja Republik-Digital Creative District	373,280	157,315	1,250,595
Component 3: Support for digital agenda and creative technology ventures	151,730	214,980	366,710
Project administration (project executing unit costs)	306,000	95,553	401,553
Evaluation, ex post review, and audits	79,000		
Contingencies	50,000		
<b>Total</b>	<b>1,500,000</b>	<b>2,441,074</b>	<b>3,941,074</b>
<b>% of financing</b>	<b>38%</b>	<b>62%</b>	<b>100%</b>

## V. EXECUTING AGENCY AND IMPLEMENTATION STRUCTURE

### A. Description of the executing agency

- 5.1 The executing agency for the project will be Fundación Hondureña para la Identidad Nacional (MIN), which will sign the agreement with the Bank. The MIN is one of the actors leading the process of urban revitalization of the CHTC. It is an urban catalyst organizing recreational, cultural, entertainment, and social integration events and activities in public spaces. The MIN constitutes a strength, cultivating social innovation and fostering an interest in culture among the city's youth and reconquering and taking the streets by organizing cultural events open to the general public.
- 5.2 The MIN has executed funds from other donors for development projects, contracting specialized consulting services. The MIN has expert staff and its financial resources are generated by its heritage fund. It has considerable ability to recruit and coordinate with partners to carry out the project.

### B. Structure and implementation mechanism

- 5.3 The MIN will establish a project executing unit (PEU) and the structure necessary to execute the project activities and manage project resources effectively and efficiently. The MIN will also be in charge of submitting progress reports on project implementation. The details of the project executing unit's structure and the requirements for the progress reports are found in Annex V in the technical files for this operation. In accordance with the DNA tool, the execution risk is low.
- 5.4 The MIN will coordinate and sign agreements with the other partners with technical capacity to ensure proper execution, as necessary, including UNAH, UNITEC, CEDAC, Raíz Capital/vuelve al Centro, Comayagüela Ciudad Digital through CONATEL and others, and also with the providers of counterpart resources, AACID and AECID, through the AMDC and USAID.

## **VI. FULFILLMENT OF MILESTONES AND SPECIAL FIDUCIARY ARRANGEMENTS**

- 6.1 **Disbursement by results and fiduciary arrangements.** The executing agency will commit itself to IDB Lab's standard arrangements for disbursement by results, the Bank's procurement policies,<sup>28</sup> and financial management<sup>29</sup> as specified in Annexes V and VI.

## **VII. INTELLECTUAL PROPERTY**

- 7.1 The Bank will hold and own any and all intellectual property rights, including, without restriction, copyrights, in relation to and/or in association with any deliverables that are produced, i.e., specialized technical assistance, studies on trends, studies on alternative financing instruments for the sector, studies on the registration/use of intellectual property in the sector, or other similar studies that are relevant to the project.

---

<sup>28</sup> Link to the [Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank](#).

<sup>29</sup> Link to the [Guidelines on Operational Financial Management for Projects financed by the Inter-American Development Bank](#).