

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

BELIZE

DIGITAL INNOVATION TO BOOST ECONOMIC DEVELOPMENT IN BELIZE

(BL-L1039)

LOAN PROPOSAL

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OEL#4	Gender Analysis
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OEL#7	Cost Benefit Computations
OEL#8	Environmental and Social Screening Filter (ESSF)

ABBREVIATIONS	
AOP	Annual Operating Plan
BEI2	Belize Enterprises and Innovation Institute
BELTRAIDE	Belize Trade and Investment Development Service
CAMPDR	Central America, Mexico, Panama, and the Dominican Republic
CEO	Chief Executive Officer
CFP	Call For Proposals
CITO	Central Information Technology Office
CRF	Corporate Results Framework
CSO	Cluster Support Organization
DAI	Digital Adoption Index
DEM	Development Effectiveness Matrix
DSPs	Digital Service Providers
DTPs	Digital Transformation Plans
EA	Executing Agency
EDC	Economic Development Council
EntreCon	Entrepreneurship Convention
ESMS	Environmental and Social Management System
ESPF	Environmental and Social Policy Framework
EU	European Union
EU-CIF	EU's Caribbean Investment Facility
FFF	Flexible Financing Facility
GDP	Gross Domestic Product
GEM	Global Entrepreneurship Monitor
GHG	Greenhouse Gas
ICAP	Institutional Capacity Analysis Platform
ICB	International Competitive Bidding
ICT	Information and Communication Technology
IDB	Inter-American Development Bank
IFPG	Innovation, Firm Performance and Gender
IMF	International Monetary Fund
LAC	Latin America and the Caribbean
MDB	Multilateral Development Banks
MED	Ministry of Economic Development
MEP	Monitoring and Evaluation Plan
MFEDI	Ministry of Finance, Economic Development and Investment
MICS	Multiple indicator Cluster Surveys
MODII	Mission Oriented Digital Innovation Incubator
MOU	Memorandum of Understanding
MSMEs	Micro, Small and Medium-Sized Enterprises
MSP	MSME Support Program

ABBREVIATIONS	
NDC	Nationally Determined Contribution
NPV	Net Present Value
OC	Ordinary Capital
OECD	Organisation for Economic Co-Operation and Development
OM	Operating Manual
PCR	Program Completion Report
PEP	Pluriannual Execution Plan
PM	Project Manager
PP	Procurement Plan
PSC	Program Steering Committee
RM	Results Matrix
SBDC	Small Business Development Centre
SDG	Sustainable Development Goals
SFD	Sector Framework Document
SIB	Statistical Institute of Belize
SME	Small and Medium Size Enterprises
SRP	Standard Request for Proposals
STEM	Science, Technology, Engineering, and Math
TC	Technical Cooperation
TEP	Technical Evaluation Panel
TES	Technology Extension Services
TUs	Technical Units
UNECLAC	United Nations Economic Commission for Latin America and the Caribbean
UNWOMEN	United Nations Entity for Gender Equality and the Empowerment of Women
VSU	Vital Statistics Unit
We-Fi	Women Entrepreneurs Finance Initiative

PROJECT SUMMARY
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Financial terms and conditions				
Borrower			Flexible financing facility ^(a)	
Belize			Amortization period:	25 Years
Executing Agency (EA)			Disbursement period:	5 Years
Ministry of Finance, Economic Development, and Investment (MFEDI)			Grace period:	5.5 Years ^(b)
Source	Amount (US\$)	%	Interest rate:	SOFR Based
IDB (Ordinary capital):	10,000,000	100	Credit fee:	(c)
			Inspection and supervision fee:	(c)
			Weighted Average Life (WAL):	15.25 Years
Total:	10,000,000	100	Currency of approval:	Dollars of the United States of America
Project at a glance				
Project objective: The general objective of the program is to promote digitalization of firms and government services in order to promote growth and increase efficiency in Belize's economy. The specific objectives are to: (i) promote firms' growth through increased adoption of digital solutions; (ii) promote firms' efficiency through digitalization of licensing processes; and (iii) reduce costs for citizens through the digitalization of civil registration services.				
Special contractual clauses prior to the first disbursement: The Executing Agency (EA) will provide evidence to the satisfaction of the Bank of: (i) the establishment of the execution unit, including the assignment or hiring of key personnel responsible for managing the program, including a Project Manager (PM), a financial specialist and a procurement specialist; and (ii) its approval of the Operating Manual (OM) of the program, in accordance with the terms previously agreed upon between the Bank and the Borrower (¶3.5).				
Special contractual clauses for execution of components: (i) Prior to the execution of Component 1 and Component 2, a Memorandum of Understanding (MOU) will have to be signed between the EA and Technical Units (TUs) establishing the responsibilities of each entity for the project implementation; and (ii) prior to awarding contracts for bidding processes under Subcomponent 1.3 and Component 2, MOUs will have to be signed between the E-Governance and Digitalization Unit and the beneficiary agencies (owners of the services that will be digitalized) establishing responsibilities for development, implementation, and sustainability (¶3.6).				
Exceptions to Bank policies: None.				
Strategic alignment				
Challenges^(d):	SI <input type="checkbox"/>		PI <input checked="" type="checkbox"/>	EI <input type="checkbox"/>
Cross-cutting issues^(e):	GE <input checked="" type="checkbox"/>	and DI <input type="checkbox"/>	CC <input checked="" type="checkbox"/>	and ES <input type="checkbox"/>
				IC <input checked="" type="checkbox"/>

^(a) Under the Flexible Financing Facility (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 consider operational and risk management considerations.

^(b) Under the flexible repayment options of the 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.

^(c) 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.

^(d) SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

^(e) 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 **Macroeconomic context.** The COVID-19 pandemic significantly impacted the Belizean economy. Economic growth in Belize contracted by 16.7% in 2020 and despite initial positive estimates for 2021,¹ in June 2022, the World Bank downgraded global economic growth forecasts from 4.1% to 2.9%² citing stagflation risks. The Gross Domestic Product (GDP) growth in Belize was 1.8% a year on average between 2013-2017, with a slight increase to 2.9% in 2018, followed by a return to 1.8% in 2019. The small open-economy remains relatively undiversified, relying heavily on tourism-related services and agricultural and marine exports. Both industries face challenges in returning to pre-pandemic levels. Belize was the only country in Central America to register a decline in the real GDP per capita in the last decade, declining by 0.9% a year between 2010-2019, compared to average growth of 4.9% in the region and 1.1% in the Caribbean region.
- 1.2 **Challenges.** Digitalization has reshaped competitive dynamics of the economy.³ To boost economic development, post-COVID-19 economic recovery and sustained growth requires adopting digital technology. Evidence demonstrates that digital technology drives innovation⁴ and improves business performance in terms of sales, employment, and productivity thereby contributing to economic development. Yet, in terms of digital adoption, Belize's overall score on the Digital Adoption Index (DAI) in 2016 was 0.4 compared to countries such as Jamaica (0.5), Suriname (0.5), Guatemala (0.5), and Trinidad and Tobago (0.6). In the 2016 DAI, Belize scored 0.585 on the business sub-index, 0.289 in the people sub-index, and 0.337 in the government sub-index, signaling a need to improve digital adoption among firms, citizens, and government. Digitalizing can: (i) reduce transactions costs for citizens accessing services important to improving lives; (ii) reduce transactions costs for firms thereby contributing to improvements in the enabling business environment; and (iii) increase firm productivity which in turn drives growth and economic development.
- 1.3 **High transactions costs for citizens.**⁵ Although waiting times are shorter when applying for government services in the Caribbean compared to Latin America (4.3 hours per transaction in the Caribbean versus 5.3 hours in Latin America), Caribbean countries are nevertheless burdened with having to return to public offices repeatedly (over 30% of transactions require three visits or more).⁶ As

¹ Real GDP growth estimates for 2021 were 9.8% (Statistical Institute of Belize (SIB)) and 12.5% (International Monetary Fund (IMF)).

² World Bank (2022). [Stagflation risks amidst sharp slowdown in growth](#).

³ Organisation for Economic Co-Operation and Development (OECD) (2022), [OECD Handbook on Competition Policy in the Digital Age](#). See [Digital Transformation for Supporting Economic Development in Belize](#).

⁴ Goldfarb and Tucker (2019). Hallward-Driemeier et. al, (2020), and the National Research Council Canada (2013).

⁵ Although the project focuses on efficiency resulting from reduced transactional costs to citizens, according to the literature, it is expected that the digitalization of the VSU will benefit society in general by improving: (i) data-driven public policies following an increased availability of digitized citizen data; and (ii) access to identity documents for citizens' access to social services such as education, financial services, etc. See [Benefits of linking civil registration and vital statistics with identity management](#).

⁶ IDB (2019). [Wait no more. Citizens, Red Tape, and Digital Government Caribbean Edition](#).

Belize does not have a national ID, citizens must attend the Vital Statistics Unit (VSU) office twice to obtain original certificates. This generates transportation and time costs. Citizens then have to pay an average fee of US\$13.73, which represents 1-4.5 hours of work. This is compared to the Caribbean average of 4.5 hours per transaction to obtain civil registration services (IDB, 2019) that could have been used for income-generating activities.

1.4 Digitalization of government services in Belize has been slow and fragmented resulting in high government transactions costs for citizens stemming from the following key challenges the program will address:

- i. lack of availability. In a context where 53.8% of the Belizean population lives in rural areas (Multiple Indicator Cluster Surveys (MICS) Belize, 2015-2016) and 42% are employed in informal jobs (Statistical Institute of Belize, 2022), obtaining services from the VSU involves high transportation and time costs. 4.3% of children under the age of 5 are not registered,⁷ placing Belize at a rank of 19 in civil registration rates compared to Caribbean countries such as Barbados (7th), Suriname (8th), and Guyana (9th).⁸ In Bolivia, for example, digitalization of the Vital Records Archive reduced red-tap and the time taken to complete a transaction by 31-35% (Chong, Velasquez and Yáñez-Pagas, 2021).⁹
- ii. low user capacity. Approximately 17.4% of mothers or caregivers of unregistered children lack knowledge on how to register a birth. In rural areas, this percentage goes up to 22.7% (MICS, 2015-2016). Citizens must have digital literacy skills to carry out online government transactions but Belize does not have existing digital literacy programs;
- iii. lack of interoperability. Government does not offer a unique identification mechanism and the VSU is not interconnected to other government agencies thereby restricting seamless sharing of data and interoperability. Approximately 791 public entities and 5,783 non-public entities use digital services to access information from the National Identification and Civil Status Registry (RENIEC) in Peru. In Belize, this number is zero. As such, where RENIEC had a total of 627.4 million digital transactions (194 per capita) in 2021, Belize did not have any.

1.5 **Weak business environment.** Good business environments have been found to stimulate investment in innovation,¹⁰ a key variable for productivity leading to economic development. Yet Belize's 2020 Doing Business score was 55.5. It takes 32 days to obtain an operating license in Belize, compared to a Caribbean regional average of 14 days.¹¹ Approximately 66% of firms in Belize report obtaining business licensing and permits as a major or severe problem, compared to a Caribbean regional average of 22%.¹² An Inter-American Development Bank (IDB) Invest study¹³ found that prior to the COVID-19 pandemic (before March 2020),

⁷ MICS, 2015-2016.

⁸ Own computation based on data from the Work Bank.

⁹ [Computers and Discretion: Evidence from Two Randomized Natural Experiments | Economic Development and Cultural Change: Vol 0, No ja \(uchicago.edu\)](#).

¹⁰ Blagova et. al, 2014.

¹¹ Innovation, Firm Performance and Gender (IFPG) survey 2020 dataset.

¹² Ibid.

¹³ IDB Invest, 2021. [The Impacts of the COVID-19 Pandemic on Firms in the Caribbean](#). Caribbean countries referenced in this study include Belize.

Caribbean firms described the three greatest obstacles to conducting business as: (i) an inadequately educated workforce (22% of firms); (ii) access to finance (10%); and (iii) electricity (10%). Since the pandemic, access to digital payments has risen to the second highest ranking obstacle facing firms (a shift from 1% to 14% in 2020).

1.6 Digital transactions are low because of the following key challenges which this program will address:

- i. lack of availability. An analysis conducted by the Central Information Technology Office (CITO) in 2018 found that of 141 government services reviewed only 11 have e-services undergoing development. IFPG data reveals that over 60% of firms in Belize reported that obtaining licenses is a severe problem - the highest in the Caribbean region. Belize ranks third within the Caribbean region in the number of days it takes to obtain a license. Chief Executive Officers (CEOs) in Belize spend on average 9% of their time dealing with government regulations, compared to a Caribbean regional average of 6% (IFPG). Belizean firms that report facing obstacles when obtaining licenses innovate by 0.5 percentage points less than firms that do not report an obstacle;
- ii. low user capacity. Firms must have a digital payment solution to conduct online transactions with the government, must have access to the internet, and must have digital literacy skills to carry out online government transactions;¹⁴
- iii. unsatisfactory online experiences. In 2019, Belize reported not having a central government transaction portal where information on the name of the transactions, the entities responsible or the instructions to complete them is provided, a catalogue of transactions and services, nor an interoperability framework;¹⁵
- iv. limited institutional capacity stemming from a lack of human talent needed to drive digital transformation;¹⁶ and
- v. a regulatory framework that does not keep up with the speed of digital change and which impedes the process of developing, testing and adopting new technological applications. Furthermore, data privacy and cybersecurity is an important concern given the increasingly important role that user data plays in the digital economy.

1.7 **Low firm productivity.** Productivity, an important input for long term economic growth, continues to decline. The average firm productivity (measured as sales per worker) in 2016 was BZD\$21k per worker.¹⁷ Among the 13 countries surveyed by Innovation, Firm Performance, and Gender (IFPG) survey from 2020 (IFPG), Belize ranks 5th as the country with the largest productivity gap between small and large firms. Connecting Micro, Small and Medium-Sized Enterprises (MSMEs) in the value chain to large firms (also known as anchor firms), can lead to benefits such as knowledge spillovers, access to networks, and access to markets that can enhance MSME contribution to the economy. Innovation with digital

¹⁴ The IDB-GEALC Surveys (2017; 2019) capture the absence of digital literacy programs in Belize.

¹⁵ IDB (2019). [Wait no more. Citizens, Red Tape, and Digital Government Caribbean Edition](#).

¹⁶ IDB (2022). [Digital Transformation and Public Employment: The Future of Government Work](#).

¹⁷ Based on the 2016 [Enterprise Surveys in Belize](#) from the SIB which collected data on 7,975 firms in Belize.

technologies¹⁸ can improve productivity. According to the IFPG survey, only 1.6% of firms in the sample reported that their enterprises introduced methods for information processing and communication during the three years prior to the survey. Also, only 10% of firms in Belize used digital payment methods compared to a regional average of 28%.¹⁹

1.8 Digital transformation typically entails a move from digital inclusion (basic use of ICT) to digital development (actively using digital technologies) and finally to digital innovation²⁰ (operating at the technological frontier). Yet there are a series of obstacles that limit adoption of digital technology by firms which this program seeks to address. These include the following:²¹

- i. the firm's lack of knowledge about the technologies available that can improve productivity and competitiveness (information asymmetry). For instance, 61% of firms in Belize compared to a Caribbean regional average of 48%, do not use digital payment methods for knowledge reasons.²² One study (McKenzi 2021) finds that knowledge from digital training programs has a 5% impact on sales, with other studies (Voillaz 2018) estimating a 25% impact on value production;
- ii. limited connectivity, especially in rural areas of Belize and by clients in lower socio-economic situations. According to the IFPG survey, approximately 35% of firms in Belize indicate not using digital tools because they are not available in their locality. This is compared to the Caribbean average of approximately 7%. The government is making new investment to expand infrastructure to approximately fifteen rural villages in Belize;²³
- iii. limited capacity and human capital with advanced digital skills to adopt and deploy digital technologies and basic digital skills to adopt new technologies. The IFPG 2020 dataset finds that over 80% of firms consider that the labor force lacks skills required for innovation. A survey issued to the private sector under [ATN/CO-17566-BL](#), revealed that the skills most in demand were data analysis, computer and network support, database administration, and digital marketing;
- iv. limited access to finance for investing in digital technologies. IFPG finds that over 80% of firms consider the level of available financial resources and cost of finance as major or very severe obstacles to innovation activities of Belizean firms. The Global Entrepreneurship Monitor (GEM) report 2016 data shows that Belize has one of the lowest scores in financing entrepreneurs in the Latin America and the Caribbean (LAC) region due to insufficient funding available through the government and business angels for initial business start-ups.²⁴ Banay, Lang, and Nagy (2017) find that non-reimbursable Information and Communication Technology (ICT) subsidies issued to 1,428 companies resulted in an increase in their sales, revenue, profit margin, number of employees, tangible assets and labor productivity. Additionally,

¹⁸ Digital technologies include devices, systems, networks, and applications that can generate, transmit, process, or send information digitally.

¹⁹ IFPG (2020).

²⁰ Digital innovation is the use of digital technologies and applications to improve firm efficiency through enhancing business processes, marketing (i.e., customer experience), new products or business models.

²¹ IDB (2020). [Transformación Digital: Como nivelar la cancha](#).

²² IFPG (2020).

²³ Government of Belize. Confidential document.

²⁴ GEM (2016). [Economy profile: Belize](#).

- Uribe and Reyes (2021) find large impacts on sales from incubator and accelerator programs;²⁵ and
- v. an incipient ICT sector that offers limited services locally. A focus group session with approximately sixteen ICT Service suppliers in Belize validated the demand for support to improve local supply through a cluster initiative.
- 1.9 **Advances towards a digital economy.** The first National Digital Agenda²⁶ was approved by Cabinet in December 2021 and addresses key challenges such as e-services and digital identity,²⁷ good governance, cybersecurity, connectivity and inclusive access, closing the digital skills gap (including digital literacy), digital infrastructure and horizontal platforms, and promoting innovation.²⁸ The recently created E-Governance and Digitalization Unit²⁹ is leading the implementation of the National Digital Agenda. The regulatory framework to enable digital transformation has also improved with the approval of the Data Protection Act and the drafting of the Public Sector Data Sharing Act, the Electronic Transactions Act, the Digital Signature Act, the Electronic Evidence Act, and the Electronic Funds Transfer Bill.
- 1.10 **Additional gender considerations regarding firm productivity.**³⁰ Women-led firms are 32% less productive than male-led firms in Belize and 13% less likely to innovate (IFPG, 2020). Considering gender, women³¹ lead smaller businesses than men as the size of the firms they were leading was 75.1% small, 24.9% medium and 0% of large firms, while those figures were 73.1%, 24.1% and 2.8% among men-led firms.³² The gender gap in productivity is associated with the following challenges which this program seeks to address: (i) fewer and weaker business networks than male entrepreneurs, thus limiting women's access to information about technical support programs. According to the IFPG survey, women-led firms are less aware of technical assistance programs for technology adoption and management improvement than men-led firms (2.2% compared to 6.3% for men-led firms and a regional average of 14.7%); (ii) lack of digital skills amongst women, from the 17% of the population with a higher education degree in Science, Technology, Engineering, and Math (STEM), only one-third of those individuals are women compared to men. Furthermore, only 11.72% of female graduates in Belize choose to pursue a STEM track. In contrast, one-third (29.32%) of the total male graduates attain a degree in these fields. One study found that one-day female-focused STEM-based entrepreneurship program is a key factor in the development of entrepreneurial attitudes in young female students is associated with soft-skills development, particularly in the areas of creative

²⁵ See [Monitoring and Evaluation Plan \(MEP\)](#).

²⁶ E-Governance & Digitalization Unit. [National Digital Agenda](#).

²⁷ Technical support is being provided by the IDB to support Belize with a digital identity strategy.

²⁸ World Bank. DAI.

²⁹ The E-Governance and Digitalization Unit was established in 2021. The unit is responsible for execution of projects related to government's digital infrastructure, services, and governance.

³⁰ [Gender Analysis](#).

³¹ Following the Women Entrepreneurs Finance Initiative (We-Fi) definition, women-owned firms are classified as those where $\geq 51\%$ of the firm is owned by a woman/women; or $\geq 20\%$ of the firm is owned by a woman/women, and at least 1 woman as CEO/COO (President/Vice-President) and have $\geq 30\%$ of the board of directors comprised of women, where a board exists.

³² IFPG. 2020.

thinking, risk-taking, problem-solving, and leadership development.³³ Across the region, in general, a smaller portion of females tend to be employed in the ICT sector;³⁴ (iii) differences in the adoption of business practices, digital technologies, and innovation. In terms of access to mobile technology, for every 89.3 mobiles owned by women, there were 100 among men.³⁵ Furthermore, women-owned businesses also tend to be informal, home-based and concentrated in the areas of small-scale entrepreneurship and traditional sectors, which primarily include retail and service.³⁶ In Belize, the percentage of women-led firms formalized from the start of their operations was reported at 70.3% in 2010—nearly 12 percentage points lower than men-led firms (82.2%). Gendered social norms around domestic time use and responsibilities also constrain women's time and mobility and opportunities for growing their businesses. The World Bank's Enterprise Surveys data reveal that 30.4% of businesses in Belize have women among their owners - lower than the average of the Central America, Mexico, Panama, and the Dominican Republic (CAMPDR) region, which was 34.9%—and women are only one of every four top managers.^{37,38}

- 1.11 **Climate change considerations.**³⁹ In 2021, Belize completed an update to its Nationally Determined Contribution (NDC)⁴⁰ under the Paris Climate Change Agreement. The Germanwatch Global Climate Risk Index 2018,⁴¹ a measure of level of exposure and vulnerability to weather-related events such as storms and floods, Belize ranks 33 out of 182 for the most affected countries in the period 2000-2019. Digital technologies contribute to increasing levels of data, fueling the data processing cycle and subsequent production of emissions.⁴² The project intends to address climate change vulnerability through financing climate change adaptation and mitigation activities that support the adoption of digital technology projects in renewable energies, energy efficiency, climate data collection and monitoring, and other digital technologies that contribute to climate resilience and adaptation and/or reducing Greenhouse Gas (GHG) emissions. Limited data presents a challenge. The project will disseminate climate-related information to MSMEs (i.e. energy efficiency and e-waste management). Equipment procured throughout the program will need to meet either national or internationally recognized energy efficiency labels.
- 1.12 **Demand assessment.** An analysis of demand by the private sector carried out during the preparation of the program found evidence of sufficient demand for support firms with digital transformation and digital innovation. The analysis draws

³³ Shahin, et. al. (2021). [The Impact of STEM-based Entrepreneurship Program on the Entrepreneurial Intention of Secondary School Female Students](#). This study found that gender equity continues to be an issue in the entrepreneurial sector, particularly in STEM-focused entrepreneurship".

³⁴ The United Nations Economic Commission for Latin America and the Caribbean (UNECLAC) (2021). [Datos y hechos sobre la transformación digital: informe sobre los principales indicadores de adopción de tecnologías digitales en el marco de la Agenda Digital para América Latina y el Caribe](#).

³⁵ GSMA Mobile Connectivity Index. [Belize | Detail and Analysis](#).

³⁶ World Bank. [Female Entrepreneurship Resource Point – Introduction and Module 1: Why Gender Matters](#).

³⁷ Bello, Alessandro (2020). [Las mujeres en Ciencias, Tecnología, Ingeniería y Matemáticas en América Latina y el Caribe](#). United Nations Entity for Gender Equality and the Empowerment of Women (UNWOMEN): Montevideo.

³⁸ IDB (2020). [Skills to shape the future: Employability in Belize](#).

³⁹ More information in [Climate Change Annex](#).

⁴⁰ [Belize's Updated Nationally Determine Contribution](#) (2021).

⁴¹ [Global Climate Risk Index 2018](#). Eckstein et al., November 2017.

⁴² Geneva Environment Network (2021). [Data, Digital Technology, and the Environment](#).

on surveys, meta-analysis of studies pertaining to the entrepreneurship and innovation, and on evidence signaling the uptake of digital technology programs by the target segment. See [Demand Analysis](#) for details.

- 1.13 **Bank experience and lessons learned.** Lessons learned from the “Education Quality Improvement Program (EQIP) II” ([4798/OC-BL](#)),⁴³ includes the need to: (i) centralize and strengthen the capacity of the EA (§1.25 and §2.4); and (ii) streamline the number of procurements in order to improve the efficiency for implementing the loan program within the proposed timeframe ([Procurement Plan \(PP\)](#)). Lessons learned from similar digital transformation loan programs such as “MSME Digital Transformation Program” ([5294/OC-UR](#))⁴⁴, the CCLIP “*Brasil Mais Digital*” ([BR-00010](#)),⁴⁵ “E-Government Management Program Assistance in Uruguay” ([1970/OC-UR](#)),⁴⁶ “Program to Support EGovernment Management in Uruguay II” ([2591/OC-UR](#)),⁴⁷ “Implementation of the National Identification System (NIDS) for Economic Growth” ([4437/OC-JA](#)),⁴⁸ “Boosting Innovation, Growth and Entrepreneurship Ecosystems Programme” ([4860/OC-JA](#)),⁴⁹ and “Panama Online Program” ([3683/OC-PN](#)),⁵⁰ include the importance of strengthening the EA’s digital capacity (§1.17 and §1.18); maintaining a flexible design to adapt more readily to any technological changes during execution (§1.8); ensuring strong communication and outreach programs to reach women-led firms and firms located in more rural areas (§1.10 and §1.21a); ensuring strong political support in entities responsible for digital services (§3.3); implementing effective coordination mechanisms to ensure execution activities (§3.3); and implementing a change management strategy considering the challenges of introducing digital transformation to public institutions (§1.8, §1.21 and §1.23). An evaluation of the IDB Lab’s ICT cluster initiative (which financed 49 programs related to the use of ICT to strengthen Small and Medium Size Enterprises (SMEs) in 16 countries of the region, between 2001 and 2010) found that nearly half of the SMEs increased sales by a substantial amount (47% of respondents indicated an increase in sales revenue of more than 10%) (Ca’Zorzi, 2011). IDB Lab’s project “We3A - Improving Access to Value Chains for Women Entrepreneurs” ([ATN/ME-18621-RG](#)),⁵¹ also provides lessons on the importance of designing interventions that takes into consideration differences in needs, access to opportunities, and capacities of women entrepreneurs (§1.10 and [Gender Analysis](#)).
- 1.14 Finally, the Compete Caribbean Partnership Facility⁵² has financed several initiatives in Belize which input into the design of this program’s interventions. They

⁴³ Approved in 2019 for US\$10,1 million with current disbursement at 44.21%.

⁴⁴ Approved in 2021 for US\$15 million with current disbursement at 8.57%.

⁴⁵ Approved in 2021 for US\$1 billion, pending legislative approval.

⁴⁶ Approved in 2008 for US\$5 million. Closed.

⁴⁷ Approved in 2011 for US\$10.85 million. Closed.

⁴⁸ Approved in 2017 for US\$68 million with current disbursement at 39.27%.

⁴⁹ Approved in 2019 for US\$25 million with current disbursement at 13.46%.

⁵⁰ Approved in 2016 for US\$22 million with current disbursement at 72.83%.

⁵¹ Client Support Technical Cooperation (TC), approved in 2021 for US\$1 million.

⁵² Compete Caribbean is a private sector development program that provides technical assistance to support business climate reforms and technology and innovation. The program, jointly funded by the IDB, the United Kingdom’s Foreign, Commonwealth & Development Office (FCDO), the Caribbean Development Bank (CDB) and the Government of Canada, supports projects in 13 Caribbean countries (Antigua & Barbuda, The Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Saint Lucia, St. Kitts & Nevis, St. Vincent and the Grenadines, Trinidad & Tobago and Suriname).

include the following: (i) “Leveraging Digital Technology for Improving the Business Climate in Belize” ([ATN/CO-16736-BL](#)),⁵³ which, through a collaboration with the Economic Development Council (EDC), financed the digitization of the Belize Companies & Corporate Affairs Registry (BCCAR) and the drafting of six pieces of digital legislation. This TC emphasized the importance of stakeholder engagement and change management support to digitalization (§1.21 and §1.23); (ii) “Innovation Platforms for Social and Economic Impact in Belize” ([ATN/CO-17566-BL](#))⁵⁴ which, through a collaboration with the EDC and the Belize Trade and Investment Development Service (BELTRAIDE), financed the strengthening of the entrepreneurial and innovation ecosystem through piloting a digital talent bootcamp⁵⁵ that helped to employ youth in Belize and designing an Innovation Pact⁵⁶ and Innovation Roadmap⁵⁷ for Belize. The BELTRAIDE⁵⁸ with support from the EDC and E-Governance and Digitalization Unit have been assigned as innovation champions, to promote private sector innovation and growth in the economy. A key lesson learned is the need for a local champion to drive high level political commitment and to play a strong coordinating role in promoting the benefits of innovation, science and technology (§3.3); (iii) “Technology Extension Services (TES) in the Caribbean” ([ATN/CN-17624-RG](#)),⁵⁹ which financed a pilot to implement a delivery system that would support increase in productivity and innovation in the private sector and whose lessons learned (such as the need to conduct a sound diagnostic on the needs of firms, the importance of designing strong incentives for digital transformation, and the importance of establishing partnerships with financial intermediaries that value financing technology adoption) have been applied to the design of the digital voucher intervention of this program (§1.21c)ii and [OM](#)); and (iv) “Experiential Learning of Cluster Development Best Practices in Small and Vulnerable Countries” ([ATN/CO-17772-RG](#)),⁶⁰ which financed capacity building of BELTRAIDE to function as a Cluster Support Organization (CSO) by training their staff in the cluster methodology. BELTRAIDE has supported clusters such as the Belize shrimp cluster (“Improving Sustainable Production in the Belize Shrimp Cluster” ([ATN/CO-17144-BL](#))).⁶¹ Key lessons emphasize the importance of a strong cluster manager to build trust within the network, technical assistance activities to strengthen the capacity of weaker cluster members, and the need for an enabling business and innovation climate (§1.5, §1.26 and [OM](#)).

1.15 Complementarity with other operations. This operation complements the IDB Lab’s experience in promoting digital adoption and supporting incubators. It

⁵³ Client support TC, approved in 2018 for US\$220,000.

⁵⁴ Client support TC, approved in 2019 for US\$300,000.

⁵⁵ A digital skills bootcamp was piloted in Belize in 2021 to provide data analytics and soft skills to 14 selected young persons. Upon completion, 10 participants obtained employments.

⁵⁶ The Innovation Pact is a symbolic activation of the ecosystem to commit to innovation that increases investment levels in science, technology, and innovation activities.

⁵⁷ An innovation roadmap is an action plan and strategy that prioritizes, costs, and sets a timeline for necessary activities that will coordinate actors in the innovation ecosystem and stimulate investment in innovation.

⁵⁸ BELTRAIDE is a national economic development agency that operates within the portfolio of the Ministry of Economic Development (MED), Petroleum, Investment, Trade and Commerce. BELTRAIDE consists of four main departments: Belize INVEST; Belize Training and Employment Centre (BTEC); EXPORTBelize; and Small Business Development Centre (SBDCBelize). BELTRAIDE has implemented a number of IDB and donor financed projects.

⁵⁹ Client support TC, approved in 2019 for US\$813,340.

⁶⁰ Client support TC, approved in 2019 for US\$1.25 million.

⁶¹ Client support TC, approved in 2018 for US\$543,000.

proposes to complement forthcoming IDB Lab support to Belize.⁶² The program will also create a pipeline of firms that may potentially seek additional financial support from the IDB Invest. The proposed loan program is complementary to the following approved Bank operations in Belize: (i) “Strengthening of Tax Administration” ([4839/OC-BL](#))⁶³ as this program is digitalizing government services to improve the ease of doing business for MSMEs that operate in the economy and are required to file taxes; (ii) “Strengthening Public Expenditure Management in Belize” ([5353/OC-BL](#)),⁶⁴ in that this program will benefit from the improved procurement processes. This program will complement efforts through training to government staff in the interoperability framework proposed for the government; and (iii) the “Global Credit Program for Safeguarding the Productive Sectors and Employment” ([5318/OC-BL](#))⁶⁵ by providing complementary grants that will help growth oriented firms to adopt digital technology that will likely require seeking additional support from lending institutions to expand efforts. The program is also closely coordinating and identifying synergies with other loan operations recently approved and/or currently in preparation in Belize.⁶⁶ These programs include interventions for SMEs in different stages of development, supporting distinctive segments from micro to export ready firms in key sectors of the economy.

- 1.16 **Government strategy, priorities, and actions.** The National Digital Agenda⁶⁷ identifies strategic projects that will increase access to and efficiency of government services such as the digital transformation of the land registry and the digitalization of the civil registry. The National MSME Strategy for Belize was approved by Cabinet in 2022 to improve access to markets, enhance capabilities and innovation, facilitate access to finance, develop conducive business environment. The Prime Minister signed an Innovation Pact (¶1.14). The Innovation Roadmap promotes innovation through digitalization of SMEs, talent, incubation support, and innovation clusters. Finally, BELTRAIDE’s Belize Entrepreneurial Ecosystem Workplan included successful entrepreneurship events such as the Emprende entrepreneurship program and the Belize Entrepreneurship Convention (EntreCon), to stimulate innovation and entrepreneurship in Belize.
- 1.17 **Donor coordination.** The program is exploring the following grant resources independent of the current operation in terms of scope and expected results: (i) the European Union (EU)’s Caribbean Investment Facility (EU-CIF) to complement with resources that will support targeted gender approaches for building the digital transformation capacity of women-led firms and advanced digital skills of women and youth. Through digital grants and incubation support, it will incentivize the adoption of digital technologies for climate change mitigation, resilience and

⁶² “Digital Transformation of MSMEs in Belize” will be considered for funding this year.

⁶³ Approved in 2019 for US\$14,000,000, with current disbursements at 54.73%.

⁶⁴ Approved in 2021 for US\$8,000,000, pending eligibility.

⁶⁵ Approved in 2021 for US\$15,000,000, with current disbursements at 26.67%.

⁶⁶ On September 14th 2022, two loan operations were approved: “Trade and Investment Facilitation Program for Belize” ([5582/OC-BL](#)); and “Sustainable and Inclusive Belize” ([5583/OC-BL](#)).

⁶⁷ [Government of Belize's Prime Minister's Cabinet Brief](#) (2021). The Government of Belize is exploring partnerships and additional donor resources to implement the agenda’s activities not addressed by this program such as partnership with the Belize Telemedia Limited (BTL) company to expand connectivity to rural areas in the North and South of Belize.

adaptation; and (ii) the IDB's Migration Fund to complement with resources dedicated to supporting migrant populations with increased digital skills and tools.

- 1.18 **Strategic alignment.** The program is aligned with the Second Update of the Institutional Strategy (AB-3190-2): Development Solutions that Reignite Growth and Improve Lives, through the development challenge of Productivity and Innovation, as it encourages innovation, productivity and competitiveness amongst MSMEs through the adoption of digital technologies and simplification of the business environment for MSMEs. It is also aligned with the cross-cutting issues of: (i) Institutional Capacity and Rule of Law, as the operation will build the government's institutional capacity to lead efforts in supporting MSMEs with the adoption of digital technologies; to increase efficiency, transparency and quality in government services for firms; and to build ICT skills and capacities (¶2.6); (ii) Gender Equality, by supporting women's participation in the program's activities through digital skills support and targeted campaigns aimed at women and women-led firms to ensure their uptake of digital technologies and contribution to productivity (¶1.10 and [Gender Analysis](#)); and (iii) Climate Change because according to the [joint Multilateral Development Banks \(MDB\) approach on climate finance tracking](#), it is estimated that 2.22% of climate finance through the incubation of innovative digital solutions that contribute to strengthen climate resilience and adaptation and/or reduce or avoid GHG emissions (¶1.11 and [Climate Change Annex](#)). This operation is also aligned with the Corporate Results Framework (CRF) 2020-2023 (GN-2727-12), through the following indicators: (i) micro/small/medium enterprises financed; (ii) enterprises provided with technical assistance; (iii) women beneficiaries of economic empowerment initiatives; and (iv) agencies with strengthened digital technology and managerial capacity. The program is aligned with the Sector Strategy Institutions for Growth and Social Welfare (GN-2587-2), as it responds to strengthening entities that are part of the entrepreneurial ecosystem. The program is consistent with the Innovation, Science and Technology Sector Framework Document (SFD) (GN-2791-13), as it supports the strengthening of the innovation and entrepreneurship ecosystem.
- 1.19 The program is aligned with the IDB Group Country Strategy with Belize 2022-2025 (GN-3086) in the priority area of private sector productivity and sustainable growth with a focus on MSMEs and the strategic objective of promoting digital transformation and innovation among firms, as the program intends to increase private sector productivity and growth by directly supporting digital transformation and strengthening the enabling environment for doing business. In that vein, the program supports national strategies and commitments such as the following: (i) [Plan Belize](#) (support to economic resilience for businesses to use appropriate technology to increase productivity and competitiveness); (ii) Belize's National Digital Agenda (support to Belize's goal to transform into a Digital Nation); (iii) Belize's MSME Policy and Strategy⁶⁸ (which includes outreach to firms in rural communities); and (iv) the Sustainable Development Goals (SDGs) (such as SDG-5, gender equality; SDG-8, decent work and economic growth; and SDG-9, industry, innovation, and infrastructure). Finally, the operation is included

⁶⁸ See [Belize's Cabinet Brief](#).

in the Update of the Annex III of the 2022 Operational Program Report (GN-3087-2).

B. Objective, components, and cost

1.20 **Objective.** The general objective of the program is to promote digitalization of firms and government services in order to promote growth and increase efficiency in Belize's economy. The specific objectives are to: (i) promote firms' growth through increased adoption of digital solutions; (ii) promote firms' efficiency through digitalization of licensing processes; and (iii) reduce costs for citizens through the digitalization of civil registration services.

1.21 **Component 1. Digital transformation for firm growth and efficiency (US\$5.5 Million).** This component will finance activities to: (i) stimulate private sector demand for digital transformation and digital innovation; (ii) enhance local digital capacities; and (iii) digitalize government services to firms through three subcomponents.

a) **Subcomponent 1.1 Demand for digital technology and innovation (US\$800,000).** This subcomponent will support firms, especially women-led MSMEs, at their different stages of digital maturities. Specifically, it will finance:

- i. implementation of a gender sensitized campaign primarily targeted to women-owned firms to raise awareness and generate knowledge on the importance of digital technology for resilience, competitiveness, growth, and climate action. This activity includes financing the expansion of the BELTRAIDE's online knowledge repository to facilitate access to data on digital maturity⁶⁹ and innovation diagnostics⁷⁰ of firms including an articulation between demand and supply of digital services in the ecosystem. Women-owned firms will benefit from gender specific activities such as mentorship and outreach programs;
- ii. provision of grant funding⁷¹ to support digital transformation and digital innovation initiatives of selected firms. Eligibility criteria include firms registered in Belize that have completed the digital checkup. Through a Call For Proposals (CFP) window, the Digital Transformation Plans (DTPs) of firms eligible to receive the grants will be evaluated and ranked by a Technical Evaluation Panel (TEP)⁷² based on selection criteria such as: (i) results of the digital check up; (ii) size of the firm (micro-small, medium or large); (iii) the firm's potential for growth (sales); (iv) quality and feasibility of the DTP; (v) potential impact of the project on the firm's transformation; and (vi) gender responsiveness ([OM](#)). The digital voucher program will be implemented through BELTRAIDE-approved Digital

⁶⁹ The Digital Checkup is an auto-diagnostic tool for assessing digital maturity and level of readiness of firms.

⁷⁰ An innovation auto-diagnostic was designed for Belize as part of the Innovation Roadmap for Belize, currently being validated by stakeholders.

⁷¹ See [OM](#) for further details. See [Demand Analysis](#) which determined the grant size based on the experience of similar digital voucher programs in Belize (¶1.14) and IDB programs such as [4860/OC-JA](#) (¶1.13).

⁷² The TEP is a group of experts responsible for ranking proposals to be funded considering technical merit and availability of funds.

Service Providers (DSPs)⁷³ that will prepare DTPs to benefit three classification of firms selected by the TEP: (i) groups consisting of 8-15 selected micro-small firms that will be supported with an estimated US\$2,000 digital grants per firm;⁷⁴ (ii) individual selected medium sized firms classified as having an advanced digital maturity will access grants estimated at US\$20,000 per firm;⁷⁵ and (iii) approximately 2 selected large firms will be supported with grants valued at a maximum of up to US\$60,000 each.⁷⁶ Additional criteria for large firms require that they match grants with a 10% copay and must directly benefit MSMEs linked to them (e.g., value chain suppliers).

- iii. specialized technical advisory services to BELTRAIDE, such as the training of SBDC business mentors to provide general guidance on digital transformation, and an update to its existing online application platform⁷⁷ and monitoring system.⁷⁸

b) **Subcomponent 1.2 Digital transformation services (US\$800,000).** This subcomponent will finance the strengthening of the local supply of DSPs through three key activities:

- i. developing a digital innovation cluster⁷⁹ in Belize that will accredit and build the capacity of four selected local DSPs with technical assistance grants up to US\$20,000 to support firms with the uptake of digital technologies.⁸⁰ Eligible firms⁸¹ must be registered in Belize. The TEP will evaluate and rank eligible applications based on selection criteria such as their potential capacity to provide digital services to firms and their capacity to absorb technical assistance;
- ii. investment in a Mission Oriented Digital Innovation Incubator (MODII) that will target rural areas with limited connectivity and which will build on the concept of the Belize Enterprises and Innovation Institute (BEI2)⁸² to incubate innovative digital solutions for the market, including solutions with a gender and climate perspective. Through the CFP window, eligible

⁷³ DSPs are firms that provide digital services. DSPs will be certified through the Digital Cluster Program under Subcomponent 1.2. Individual firms may choose to either access support from a local DSP or to submit the DTP directly.

⁷⁴ Activities may include: (i) administrative and financial management; (ii) on-line market access and payments; (iii) client data analytics; (iv) web page and social media. Groups will be organized by the DSPs in collaboration with BELTRAIDE based on selection criteria such as the following: (i) experience of the DSP implementing relevant projects; (ii) quality and feasibility of the project proposal; (iii) gender responsiveness; and (iv) potential impact of the project on participating MSMEs in terms of growth (sales); and (v) e-commerce.

⁷⁵ Activities may include: (i) automation of production and logistics processes; (ii) upgrading of human resource capabilities; (iii) development of new digital based products and services; and (iv) investment in tools, software and hardware.

⁷⁶ See [Demand Analysis](#) which determined the grant size based on the experience of digital voucher programs such as [5294/OC-UR](#) and cluster initiatives implemented in Belize (¶1.14).

⁷⁷ In July 2020, the Government of Belize launched the [MSME Support Program \(MSP\)](#). As of October 1, 2021, the MSP received 3,994 applications (24% of MSMEs in the country).

⁷⁸ BELTRAIDE's Neoserra system will be evaluated to meet the needs of the program such as digitalizing the eligibility and selection processes for the different calls and information sharing between entities supporting firms in Belize.

⁷⁹ A cluster is a group of interconnected firms and supporting organizations operating near each other that collaborate and compete to reach markets.

⁸⁰ See [Demand Analysis](#) which determined the grant size based on the experience of similar cluster projects in Belize such as [ATN/CO-17772-RG](#) (¶1.14).

⁸¹ See [OM](#) for further details.

⁸² The BEI2 is the concept design for an incubation institute in Belize.

entrepreneurs or firms will submit applications that will be evaluated by the TEP based on criteria such as innovative merit of the digital solution, commercial viability, technical feasibility, impact of the project on benefits to women, climate action and other criteria set out in the CFP. At least three competitively selected entrepreneurs and startups⁸³ will access a maximum of up to US\$100,000 in non-reimbursable grant funding (seed capital)⁸⁴ per firm to implement digital prototypes addressing challenges (i.e. logistics, marketing and sales, etc.) that have potential to scale. MODII will be located in the SBDC in Belize City but its mobile digital incubator program will operate through satellite entities⁸⁵ to target support to women-led MSMEs and MSMEs located in rural areas of the country. 2% of the total program funding (approximately US\$200,000 of the US\$300,000 allotted) will be allocated to incubate innovative digital solutions for climate change mitigation and adaptation activities;⁸⁶ and

- iii. implementing a demand-driven digital skills training program (such as data analytics or advanced digital skills important to the fourth industrial revolution such as blockchain development, artificial intelligence, and cybersecurity) that will benefit approximately 40 persons, 50% of which will be women. At least 4 persons will be certified as trainers. Eligible individuals must be Belizean.⁸⁷ Individuals will be evaluated, ranked and competitively selected based on criteria that will be defined in relation to the digital program, such as previous experience and an assessment to assess technical and soft skills.

c) **Subcomponent 1.3 Digital transformation of government services for firms (US\$3.9 Million).** This subcomponent will support the optimization and digitalization of government processes related to services for Belizean firms that interact with the government. Specifically, it will finance:

- i. the initial phase of an interoperability platform to support the information exchange for key government services for firms. This includes the financing of IT infrastructure; technology assessment proposal, interoperability platform installation, development of Application Programming Interfaces (APIs), and integration of entities to the platform (i.e. eGov, land registry, business companies registry, tax services, companies' registry and the civil registry at the VSU);
- ii. design and implementation of an E-portal⁸⁸ for government services to provide a single sign-on access and consolidated information for citizens and firms;
- iii. the development of ICT standards and protocols to harmonize processes and enable the digital government, data sharing and the scaling up of digital services;

⁸³ Startup firms are defined as firms in operation for three years or less.

⁸⁴ See [Demand Analysis](#) for technical justification of amounts which was determined based on the experience of similar programs such as [4860/OC-JA](#) (¶1.13).

⁸⁵ Three satellite entities will be selected based on the following eligibility criteria: (i) public or private entities with a mandate to support either the private sector, indigenous communities, and/or women; (ii) physical space with the capacity to host activities for at least 15 individuals, with adequate facilities, including restrooms; and (iii) reliable and high-speed internet connectivity.

⁸⁶ For examples, see the [OM](#) and Section VI of the [Climate Change Annex](#).

⁸⁷ See [OM](#) for further details.

⁸⁸ An E-portal is a website where any citizen has a single sign-on access to government services. Use will not be mandatory.

- iv. reengineering and digitalizing of approximately 20 prioritized⁸⁹ government-to-business services, such as the land registry and trade license, that are important to improving the enabling environment for businesses;
 - v. gender sensitized capacity building in change management and designing, developing and managing digital government transactions provided to the E-Governance and Digitalization Unit and agencies responsible for providing digital services (i.e. land registry, civil registry) to ensure sustainability of new processes and services; and
 - vi. gender sensitized training program in digital literacy to onboard micro and small firms with low digital maturity located in rural areas of the country to the E-portal and use of digital government services.
- 1.22 This subcomponent will encourage procuring services, equipment, and software with energy efficiency criteria, a low carbon footprint, and reduced consumption of paper and other inputs used in processing services.
- 1.23 **Component 2. Digital transformation of government services for citizens (US\$3.5 Million).** This component will support the optimization and digitalization of government processes related to citizens registration services.⁹⁰ Specifically, it will finance:
- i. the legal and regulatory framework to support digitalized services;
 - ii. digitalization of civil registry services, including the digitization of records and the purchase of IT infrastructure;
 - iii. gender sensitized capacity building in change management and designing, developing and managing digital government transactions provided to the E-Governance and Digitalization Unit and agencies responsible for providing digital services to ensure sustainability of new processes and services;
 - iv. gender sensitized training program in digital literacy for vulnerable persons located in rural areas of the country to onboard citizens (targeting 50% women) to the E-portal and use digital government services; and
 - v. gender sensitized communications campaigns to increase their awareness and use of digitalized government services. This component will encourage procuring services, equipment, and software with energy efficiency criteria, a low carbon footprint, and reduced consumption of paper and other inputs used in processing services.
- 1.24 **Project administration and management (US\$1 Million).** The operation will fund program administration and management costs such as technical analyses, auditing, monitoring, supervision, and the intermediate and final evaluation of the program. See [OM](#).

⁸⁹ Government services will be prioritized based on the following: (i) government priorities included in the National Digital Agenda and in sector plans; (ii) the service's impact on MSMEs (as measured by firm's perceived challenges to doing business in Belize) and as it relates to volume and waiting times to complete the procedure; (iii) estimates of costs; and (iv) the commitment of process owners to provide timely information, access to data, and dedicated staff to lead the reengineering and digitalization efforts.

⁹⁰ Citizens registration services managed by the civil registry include the registration and certification of birth, death, and marriage.

- 1.25 The program will finance consulting services (individuals and firms) for US\$7.95 million; goods for US\$100,000; training for US\$1.3 million; and transfers for US\$650,000. Given the institutional risk (¶2.4), the number of procurements have been condensed by consolidating procurement activities where feasible. The effort will result in reducing administrative requirements of the EA to support timely and effective program implementation.
- 1.26 **Technical Cooperation.** “Digital Transformation for Improving the Business Climate for MSMEs in Belize” ([ATN/OC-19264-BL](#))⁹¹ complements the objective of the program. Specifically, it will strengthen the capacity of the Government of Belize in simplifying the delivery of a broad range of prioritized public services thereby establishing a foundation for effectively leveraging digital technologies to facilitate innovation and competitiveness amongst firms. “Digitization for Inclusive Socio-Economic Development in Times of COVID-19” ([ATN/FG-18691-RG](#))⁹² will also support the program by building the Government of Belize’s capacity to execute, including support to collect baseline data important for evaluating the operation.
- 1.27 **Beneficiaries.** The program’s beneficiaries will be: (i) approximately 190 micro-small firms, 8 medium firms and 6 large firms (that in turn support MSMEs in their value chain), especially women-led MSMEs, in Belize that will benefit from digital technologies and digital talent that improve business processes and operation; (ii) approximately 4 DSPs that will benefit from capacity building and technical assistance to improve the quality of digital services to firms; (iii) approximately 160 officials will be trained in change management and management of digital tools and services; (iv) at least 40 individuals, of which 20 will be women, will benefit from vouchers to attend digital skills bootcamp; (v) public institutions will be strengthened and equipped to lead a more efficient public sector and enabling business and innovation climate for firms to operate in; (vi) at least 20 government to business services will be digitalized and is estimated to impact at least 300 firms, but expected to benefit more than 700 firms in reducing transactions costs and improving the business environment; (vii) at least 300 micro and small firms with low digital maturity located in rural areas of the country will benefit from the digital literacy program for accessing government services that have been digitized; (viii) approximately 70,122⁹³ citizens will benefit from the reduction in transaction costs stemming from digitalization of civil registration services; and (ix) persons living in vulnerable communities located in the rural areas of the country, especially women, will benefit from the digital literacy program. It is estimated that at least three innovative digital solutions, including solutions that tackle climate action will be incubated in the digital incubator.

⁹¹ Approved in June 2022 for US\$200,000, with current disbursements at 1.9%.

⁹² Approved in 2021 for US\$2,511,444.36, with current disbursements at 16.29%. Belize will also be supported with approximately US\$150,000 of the total resources being financed through the Spanish Fund.

⁹³ This estimate is based on an adoption rate of 26% of the total population. This is compared to LAC adoption rates of 21% (pre pandemic) and 36% (post pandemic).

C. Key results indicators

- 1.28 It is expected that the implementation of these components will advance the digitalization of firms and government services in order to promote growth and increase efficiency in Belize's economy. The achievement of the general development objective will be measured by: (i) increase in labor productivity; (ii) increase in average sales of firms benefitting from the program; (iii) increased digital adoption (amongst government, citizens, and firms); (iv) improved business enabling environment; and (v) a reduction in the number of visits to the VSU to complete a transaction. See Annex II - Results Matrix (RM).
- 1.29 **Economic evaluation.** The program is expected to generate a positive social return through: (i) benefits stemming from improvements in the innovative and productive performance of beneficiary firms and startups and (ii) benefits to citizens stemming from new online transactions. In the baseline scenario, and using a 12% discount rate, the program's estimated Net Present Value (NPV) is US\$4.65 million, and its Internal Rate of Return (IRR) is 27%. The cost/benefit analysis conducted for the three components met with favorable results in all cases. The sensitivity analysis shows that the distribution of NPV is positive even under the most conservative scenarios. See [Economic Analysis](#).

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 **Modality and financial structure.** The operation is structured under the modality of a specific investment loan for an amount of US\$10,000,000 from the Bank's Ordinary Capital (OC) resources. The lending modality is justified based on the design of the intervention logic to assist the country with financing inter-dependent digital interventions that will lead to closing productivity gaps and improving economic development in Belize. The budget for each component is presented below in Table 1 and can be found in the [Pluriannual Execution Plan \(PEP\) / Annual Operational Plan \(AOP\)](#).

Table 1. Summary of program costs (in US\$)

Components	IDB (Total)	%
Component 1. Digital transformation for firm growth and efficiency	5,500,000	55
Subcomponent 1.1 Demand for digital technology and innovation	800,000	8
Subcomponent 1.2 Digital transformation services	800,000	8
Subcomponent 1.3 Digital transformation of government services for firms	3,900,000	39
Component 2. Digital Transformation of government services for citizens	3,500,000	35
Project administration and management including, technical support, auditing, monitoring and evaluation	1,000,000	10
Total	10,000,000	100

- 2.2 **Disbursement schedule.** The disbursement period will be five years for the following reasons: (i) the proposed interventions of Component 1 have been

piloted and will be scaled up through the loan program; (ii) the proposed interventions under Component 2 are aligned with the National Digital Agenda for Belize; (iii) the timeline takes into consideration the average time involved in designing and implementing the proposed activities; and (iv) the strength of the Technical Units (TUs) in implementing the proposed interventions. Table 2 depicts the five-year disbursement schedule.

Table 2. Disbursement schedule (US\$ Millions)

Component	Year 1	Year 2	Year 3	Year 4	Year 5	Total
IDB (Total)	2.9	2.4	2.3	1.5	0.9	10.0
%	29	24	23	15	9	100.0

B. Environmental and social safeguard risks

- 2.3 In accordance with the Environmental and Social Policy Framework (ESPF) (GN-2965-23), the operation was classified as Category "C", as it is expected to cause minimal or no negative environmental or social impacts. The Environmental and Social Risk Rating (ESRR) was determined as moderate as the operation will mainly support digital transformation, capacity building and digital innovation activities, while supporting an investment in a MODII which will be focused on improvements to an existing building with no new infrastructure being considered. The EA will prepare and maintain an Environmental and Social Management System (ESMS) for the operation with specific elements related to Labor and Working Conditions under Environmental and Social Performance Standard (ESPS) requirements. The Borrower will operate a Grievance Redress Mechanism at the project level (direct and contracted).

C. Fiduciary risk

- 2.4 The Ministry of Finance, Economic Development and Investment (MFEDI) has extensive experience and knowledge implementing public sector investment projects and thus understands the operational and fiduciary management policies of the Bank. However, results of the fiduciary assessment using the Institutional Capacity Assessment Platform (ICAP) indicates that fiduciary risk under the category of human resource is medium-high. If 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. This risk will be mitigated by strengthening the institutional capacity of the EA 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 to the EA in the Bank's processes; and (iii) providing continuous guidance on the Bank's fiduciary procedures.

D. Other risks and key issues

- 2.5 The medium-high risk preliminarily identified with this project is related to institutional considerations. In the event that coordination mechanisms between the TU (E-Governance and Digitalization Unit) and the beneficiary institutions receiving support in reengineering and digitalization of government services are not adequately implemented, there will be limited impact of the digitalized

government services on citizens and firms. This risk will be mitigated by establishing a MOU to outline the coordination mechanism between the TU and beneficiary institutions that own the government services that will be digitalized (¶3.6). The coordination mechanism, that could include periodic technical meetings, agreed timetables and shared control panels to monitor progress, will allow for government officials, including high level authorities, to participate and actively monitor progress of the activities and identify and manage risks, delays or any impediment that hinders the digitalization of government services and, in general, the development of program activities.

- 2.6 **Sustainability.** The program intends to build capacity within the public and private sector to ensure the continuity of the results achieved by the program. Specifically, capacity building efforts will include: (i) BELTRAIDE, to support firms with digital innovation and digital transformation initiatives that increase competitiveness and productivity; (ii) the E-Governance and Digitalization Unit, to lead the reengineering and digitalization of government processes and services as outlined in the National Digital Agenda, and to maintain the results generated by the program. This unit has strategic responsibility for the supervision and maintenance of the technological investments made under the program; (iii) the CITO, to enhance the technical support it already provides to government agencies' IT systems, in particular those supported by the project; (iv) agencies responsible to providing digital services to citizens and firms (such as the VSU, Land Registry department, etc.); and (iv) technical support for creating an enabling environment for businesses to operate and innovate in.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 **Borrower and Executing Agency.** The Borrower will be Belize and the EA will be the MFEDI. The program is aligned with the mandate of the MFEDI given that the MFEDI is responsible for: (i) coordinating and implementing the government's economic and fiscal policies and programs including the generation and allocation of financial resources to provide appropriate public services and to contribute to the overall development of Belize; and (ii) providing efficient and timely advice on and coordinating development initiatives in order to improve the general well-being of all Belizeans which includes the formulation and inputs on national development policies, strategies and programs to promote macroeconomic stability, sustainable socioeconomic development and the reduction of poverty.
- 3.2 The MFEDI will be responsible for the project management, fiduciary, procurement, monitoring, and evaluation functions as well as institutional coordination with the TUs of government, which include BELTRAIDE and the E-Governance and Digitalization Unit (of the Ministry of Public Utilities, Energy, Logistics, and E-Governance). The execution will be managed at the level of the MFEDI. The MFEDI has experience as an EA for several public sector investment projects including those funded by other development partners. However, the MFEDI (specifically the Ministry of Economic Development (MED)), lacks experience in fiduciary management of an IDB-financed loan within the last decade. The program will finance a Project Manager (PM), financial specialist, a

procurement specialist, a monitoring and evaluation specialist (part-time), and a gender specialist (part-time). Capacity building will be provided to the MFEDI in preparation of the execution of the loan program. The EA could seek to create synergies with other Bank-financed projects in relation to its staff.

- 3.3 **Interinstitutional coordination mechanism.** Through the establishment of a Program Steering Committee (PSC),⁹⁴ the MFEDI and the two TUs shall coordinate towards the successful implementation of the program. The PSC will be headed (chaired) by the MFEDI to provide strategic direction and oversight to the program. The PSC will consist of at least six member institutions from the public sector (including the MFEDI which is a permanent member), the private sector, and academia. The TUs shall provide technical input to the procurement processes that will be managed by the MFEDI and shall report to the MFEDI on monitoring and implementation of the proposed interventions. BELTRAIDE has the technical capacity to implement Subcomponent 1.1 and 1.2 activities through its experience in implementing programs that provide technical support and grants to MSMEs. The E-Governance and Digitalization Unit has strong technical capacity to implement Subcomponent 1.3 and Component 2 activities. The program will finance the hiring of the following key roles to support the TUs in their responsibilities for the technical management and implementation of the program: (i) two technical coordinators, one for Subcomponent 1.1 and 1.2 and another for Subcomponent 1.3 and Component 2 that will be responsible to coordinate, manage, monitor and supervise all the execution of the technical tasks related to the respective components; and (ii) a technical officer, to support Subcomponent 1.1 and 1.2 related activities.
- 3.4 **Operating Manual.** The program operating regulations will establish the program's guidelines, regulations, procedures and execution mechanism of the loan program. The [OM](#) includes the following key chapters: (i) the institutional framework for execution of the components including reference to governance structure, institutional roles and responsibilities, coordination arrangements, reporting, communication and visibility strategy and document management; (ii) a detailed description of the program activities of Components 1 and 2, including procedures for CFPs and eligibility and selection criteria; (iii) the guidelines for financial supervision and management including reference to internal controls, external audits and reporting; (iv) procurement policies for the procurement of works, goods, and services; and (v) general reporting, monitoring and evaluation. The OM also provides guidelines for the establishment of the TEP, a group of experts that will be responsible for the evaluation and selection of the proposals submitted through the CFPs modality of Component 1 (Subcomponents 1.1 and 1.2) of the program (§1.21). The TEP will have at least five members appointed by BELTRAIDE: (i) two members from the private sector community, chosen based on their experience, ideally from the sectors to which the firms being evaluated belong to; (ii) one member from a regional or international development organization focused on private sector development, in order to identify synergies and funds for future support; (iii) one member from the MFEDI; and (iv) one member from other relevant development, public or academic institutions.

⁹⁴ The PSC will meet on a semi-annual basis to provide guidance on the overall execution of the program. See [OM](#) for further details.

- 3.5 **Special contractual clauses prior to the first disbursement:** The EA will provide evidence to the satisfaction of the Bank of: (i) the establishment of the execution unit, including the assignment or hiring of key personnel responsible for managing the program, including a PM, a financial specialist and a procurement specialist; and (ii) its approval of the [OM](#) of the program, in accordance with the terms previously agreed upon between the Bank and the Borrower. The justification for each condition is as follows: (i) the program must have dedicated staff in place within the MFEDI to achieve the proposed development objectives; and (ii) the approval of the program's OM will provide strategic guidance to the internal organization and outlining of key processes for the EA to ensure successful implementation of the operation.
- 3.6 **Special contractual clauses for execution of components.** (i) Prior to the execution of Component 1 and Component 2, a MOU will have to be signed between the EA and TUs establishing the responsibilities of each entity for the project implementation; and (ii) prior to awarding contracts for bidding processes under Subcomponent 1.3 and Component 2, MOUs will have to be signed between the E-Governance and Digitalization Unit and the beneficiary agencies (owners of the services that will be digitalized) establishing responsibilities for development, implementation, and sustainability. The justification for these conditions is: (i) to mitigate risk in executing program activities by establishing clear roles and responsibilities between the EA and TUs; and (ii) to mitigate against institutional risk (§2.5) by increasing the probability for high quality solutions and adequate impact of the digitalized government services on firms.
- 3.7 **Procurement of works, goods, and services.** The procurement of works, goods and services will be executed in accordance with the Procurement Policies (GN-2349-15), subject to International Competitive Bidding (ICB), the Bank's Standard Bidding Documents (SBDs) or those agreed between EA and the Bank will be used for the particular procurement. The selection and contracting of Consulting Services will be carried out in accordance with the Policies for the Selection and Contracting of Consultants (GN-2350-15) and the Standard Request for Proposals (SRP) issued by the Bank or agreed between the EA and the Bank. 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 sector specialist of the project. This technical review will be ex ante and is independent of the procurement review method. See Annex III - Fiduciary Annex.
- 3.8 **Retroactive financing.** The Bank may finance retroactively under the loan, eligible expenses incurred by the Borrower prior to the date of loan approval for the activities proposed under Component 2 (digitalization of government services for citizens), up to the amount US\$400,000 (4% of the proposed loan amount), provided that all the requirements are substantially similar to those set out in the loan agreement requirements. These expenses must have been incurred on or after the approval date of the Project Profile (April 6, 2022), and under no circumstances shall expenditures incurred more than 18 months prior to the loan approval date be included. The retroactive financing is justified by the fact that the Government of Belize, as highlighted in the National Digital Agenda, has prioritized the digitalization of the citizen registry and is in the final stages of the procurement process for this activity. The first disbursement of this contract is expected to occur prior to the loan's approval.

- 3.9 **Audits.** 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 (OP-273-12) and the Guide for Financial Reports and Management of External Audit. Audit costs will be financed with project resources.

B. Summary of arrangements for monitoring results

- 3.10 **Monitoring.** The program will be monitored by the EA which will file semiannual reports with the Bank on the progress made on outputs indicators and outcomes defined in the RM and in the [Monitoring and Evaluation Plan \(MEP\)](#). Annual Operation Plans (AOP) shall be presented at least 30 days prior to the beginning of each calendar year.
- 3.11 **Evaluation.** Program evaluation will be coordinated by the EA, following the [MEP](#). An intermediate evaluation will be carried out and presented to the IDB within six months, at the end of two years from the date of the Contract or after 50% commitment of the resources, whichever occurs first. The final evaluation will be presented to the IDB within 90 calendar days following the end of the original disbursement period or any extensions thereof, or once 90% of the loan amount has been committed, whichever occurs first and will have the following objectives: (i) verify the degree to which the indicators specified for the program's general objectives have been attained; (ii) evaluate the implementation of the different components and instruments relative to the targets specified in the RM; and (iii) identify lessons learned for application in future projects. The final evaluation will analyze the program using a before and after evaluation methodology, as detailed in the [MEP](#), which will contribute to the Program Completion Report (PCR). In addition, the evaluation proposes a qualitative review based on interviews with key actors from the government and beneficiaries.

Development Effectiveness Matrix		
Summary		BL-L1039
I. Corporate and Country Priorities		
Section 1. IDB Group Strategic Priorities and CRF Indicators		
Development Challenges & Cross-cutting Issues	-Productivity and Innovation -Gender Equality and Diversity -Climate Change -Institutional Capacity and the Rule of Law	
CRF Level 2 Indicators: IDB Group Contributions to Development Results	-Micro / small / medium enterprises financed (#) -Enterprises provided with technical assistance (#) -Women beneficiaries of economic empowerment initiatives (#) -Agencies with strengthened digital technology and managerial capacity (#)	
2. Country Development Objectives		
Country Strategy Results Matrix	GN-3086	Promote digital transformation and innovation among firms
Country Program Results Matrix	GN-3087-2	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		7.3
3.1 Program Diagnosis		1.9
3.2 Proposed Interventions or Solutions		1.6
3.3 Results Matrix Quality		3.8
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		8.3
5.1 Monitoring Mechanisms		4.0
5.2 Evaluation Plan		4.3
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood		Medium Low
Environmental & social risk classification		C
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget, Treasury.
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	ATN/OC-19264-BL "Digital Transformation for Improving the Business Climate for MSMEs in Belize". The objective of the TC is to strengthen the Government of Belize in simplifying the delivery of a broad range of prioritized public services thereby establishing a foundation for effectively leveraging digital technologies to facilitate innovation and competitiveness amongst MSMEs.

Evaluability Assessment Note: The Digital Innovation to Boost Economic Development in Belize project has as its general development objective to promote digitalization of firms and government services to order to promote growth and increase efficiency in Belize's economy. The specific objectives are: i) promote firms' growth through increased adoption of digital solutions; ii) promote firms' efficiency through digitalization of licensing processes; and iii) reduce costs for citizens through the digitalization of civil registration services. The executing agency for this loan is the Ministry of Finance, Economic Development and Investment (MFEDI).

The diagnosis of the program is clear in identifying that the economy of Belize is lagging, compared to countries in the region, in terms of the digitalization of firms and the services that the government provides to its citizens. These low levels of digitization have important consequences in terms of high transaction costs for citizens, weak business environments, and low business productivity. Although the obstacles are clear, given the lack of information, it is difficult to quantify all the magnitudes of the shortcomings of some of the determinants of the problem raised above.

To achieve its objectives, the program is based on two components: the first seeks to promote the digital transformation of firms and the second the digital transformation of government services to citizens. The results indicators to measure the expected objectives are SMART, as well as to monitor the implementation of the products that will be generated during the program. However, in the case of results indicators, not all targets are fully supported by empirical evidence. One challenge of the project is that there is little evidence on what the impacts may be in terms of human capital, and in general in terms of economic development, of digitizing the civil registry and improving its efficiency.

RESULTS MATRIX¹

Project objective:	The general objective of the program is to promote digitalization of firms and government services in order to promote growth and increase efficiency in Belize's economy. The specific objectives are to: (i) promote firms' growth through increased adoption of digital solutions; (ii) promote firms' efficiency through digitalization of licensing processes; and (iii) reduce costs for citizens through the digitalization of civil registration services.
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GENERAL DEVELOPMENT OBJECTIVE

Indicators	Unit of measurement	Baseline value	Baseline year	Expected year for achievement	Target year 5	Means of verification	Comments
General development objective: Promote growth and increase efficiency in Belize's economy							
Labor productivity of firm beneficiaries of grants	Index	100	2022	2027	105	<ul style="list-style-type: none"> Registry of beneficiaries reported by BELTRAIDE Baseline surveys to beneficiaries Endline surveys to beneficiaries. 	See MEP for details.
Average sales of MSME beneficiaries of grants (after 2 years treatment)		100	2022	2027	105		
Digital adoption index		0.4	2016	2027	0.5	Report from E-Governance and digitalization unit with results from the survey	
Business enabling environment indicator	Score	55.5	2020	2027	56	Report from BELTRAIDE with results from the survey	
Number of visits (interactions) to VSU offices to complete a transaction	Visits	2	2022	2027	1.6	Report from Vital Statistic Unit (VSU) validated by MFEDI	

¹ Baseline surveys will be implemented in November 2022 and will serve to update indicators in the RM at the program's Start-up Workshop. See Section B, III.4 - III.6 and Table 5 of the [MEP](#) for details.

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
Specific development objective 1. Promote firms' growth through increased adoption of digital solutions											
1.1 Percentage of firms that use digital payment methods	Index	100	2022			110		118	118	<ul style="list-style-type: none">Administrative records and enterprise surveyBaseline surveys to beneficiariesEndline surveys to beneficiaries	See MEP for details.
1.2 Average sales of MSME beneficiaries of grants (after 6 months treatment)		100	2022			101		102	102		
1.3 Percentage of firms reporting introducing innovation in methods for information processing and communication among beneficiaries of Component 1.1		100	2022			105		111	111		
Specific development objective 2. Promote firm's efficiency through digitalization of licensing processes.											
2.1 Change in number of days required to get an operating license	Index	100	2022			75		56	56	Report from E-Governance and digitalization unit with results from baseline and endline surveys	See MEP for details.
Specific development objective 3. Reduce costs for citizens through the digitalization of civil registration services.											
3.1 Reduction in average cost for citizens to obtain a certificate with the VSU.	Cost	US\$13.73	2022					US\$10.67	US\$10.67	Report from E-Governance and Digitalization Unit	See MEP for details.

OUTPUTS

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
Component 1. Digital transformation for firm growth and efficiency											
Subcomponent 1.1 Demand for digital technology and innovation											
1.1.1 Gender sensitized digital awareness campaign	Campaign launched	0	2022	1	1	1	1	1	5	Report from BELTRAIDE	Pro Gender.
1.1.2 Digital transformation projects: micro-small firms	Projects funded			0	95	95	0	0	190		
1.1.3 Digital transformation projects: medium firms				0	4	4	0	0	8		
1.1.4 Digital transformation projects: large firms				0	1	1	0	0	2		
Subcomponent 1.2 Digital transformation services											
1.2.1 ICT clusters operating	Cluster supported	0	2022	0	0	1	0	0	1	Report from BELTRAIDE	See MEP for details.
1.2.2 Digital innovation incubator operating	Incubator operating			0	0	1	0	0	1		Pro Gender. See MEP for details.
1.2.3 Vouchers for digital skills program (men-only)	Vouchers issued			0	20	0	0	0	20		
1.2.4 Vouchers for digital skills program (women-only)				0	20	0	0	0	20		Pro Gender.
Subcomponent 1.3 Digital transformation of government services for firms											
1.3.1 Platform to support government e--services completed	Platform launched	0	2022	0	0	1	0	0	1	Report from E-Governance and digitalization unit	
1.3.2 E-portal for government services	Website operating			0	0	1	0	0	1		

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
1.3.3 Processes harmonized	ICT processes approved	0	2022	0	1	1	1	0	3		See MEP for details.
1.3.4 Services digitized	Services reengineered			2	3	10	5	0	20		
1.3.5 Staff trained	Persons trained			32	32	32	32	32	160		See MEP for details.
1.3.6 Firms trained in digital literacy	Firms trained			50	100	50	50	50	300	Report from BELTRAIDE	
Component 2. Digital transformation of government services for citizens											
2.1 Legal and Regulatory Framework	Legislation drafted	0	2022	1	1	1	1	0	4	Report from E-Governance and digitalization unit	
2.2 Civil registry digitalized	Number of civil registries digitalized			0	1	0	0	0	1		See MEP for details.
2.3 Staff trained	Persons trained			5	5	5	5	0	20		
2.4 Citizens trained in digital literacy				100	200	100	100	0	500		Pro Gender. See MEP for details.
2.5 Gender sensitized awareness campaign	Campaign launched			0	1	1	1	1	4		Pro Gender. See MEP for details.

Country: Belize

Division: IFD/CTI

Operation No.: BL-L1039

Year: 2022

FIDUCIARY AGREEMENTS AND REQUIREMENTS

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

Operation Name: Digital Innovation to Boost Economic Development in 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	

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, which will be responsible for the project management, fiduciary, procurement, monitoring, and evaluation functions as well as institutional coordination with the TUs of the government which include BELTRAIDE and the E-Governance and Digitalization Unit (of the Ministry of Public Utilities, Energy, Logistics, and E-Governance).
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3. Fiduciary capacity

Fiduciary Capacity of the EA	<p>The results of the fiduciary assessment conducted in 2022 using the ICAP indicate that the 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 MFEDI (specifically the Ministry of Economic Development of the MFEDI), lacks experience in fiduciary management of 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>The results of the assessment of public financial management systems in Belize conducted over the period from 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 in 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 OM.</p>
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4. Fiduciary risks and risk response

Area	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 EA 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 to the EA in the Bank's processes; and (iii) providing continuous guidance on the Bank's fiduciary procedures.

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

Exchange rate. 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 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 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 sector
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		specialist of the project. This technical review will be ex ante and is independent of the procurement review method.
<input checked="" type="checkbox"/>	Training	For the recruitment of "Capacity building to design, implement and manage E-government services for MSMEs, and change management in responsible institutions" and "Digital literacy for MSMEs to use digital government services (training, awareness, and advertisement campaigns)" to be hired as a consultancy, the following procedures will be used: Quality and Cost Based Selection (QCBS).
<input checked="" type="checkbox"/>	Recurrent Expenses	The recurrent expenses required to put the project into operation approved by the Project Team Leader, which are financed, will be made following the EA'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"/>	Advanced Contracting, Retroactive Financing	The Bank may finance retroactively under the loan, eligible expenses incurred by the Borrower prior to the date of loan approval for the activities proposed under Component 2 (digitalization of government services), up to the amount US\$400,000 (4% of the proposed loan amount), provided that all the requirements substantially similar to those set out in the loan agreement requirements. These expenses must have been incurred on or after the approval date of the Project Profile (April 6, 2022), and under no circumstances shall expenditures incurred more than 18 months prior to the loan approval date be included. The retroactive financing is justified by the fact that the Government of Belize, as highlighted in the National Digital Agenda, has prioritized the digitalization of the citizen registry and is in the final stages of the procurement process for this activity. The first disbursement of this contract is expected to occur prior to the loan's approval.
<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	Estimated date	Estimated amount US\$
Consulting Firms			
Gender sensitized digital awareness campaign	QCBS	March 2023	150,000
ICT cluster		January 2023	150,000
Digital innovation incubator		May 2023	300,000

Description of the procurement	Selection method	Estimated date	Estimated amount US\$
Digital skills program	QCBS	January 2023	350,000
Initial phase of the Interoperability platform for citizens and firms		May 2023	500,000
E-portal for government services		June 2023	300,000
ICT processes and protocols		February 2024	150,000
Reengineering, simplification and digitalization of government services for citizens and firms		March 2023	2,100,000
Legal and Regulatory Framework		December 2022	140,000
Digitalization of the civil registry and solution design, digitization of historical records, and IT infrastructure		December 2022	2,800,000
Gender sensitized digital awareness campaign	CQS	January 2023	110,000
Audits		June 2027	100,000
Individuals			
Technical support	Selection of individual consultants (by open invitation)	December 2022	700,000

See [PP](#).

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.
<input checked="" type="checkbox"/>	Treasury and Disbursement Management	In accordance with the norms of Government of Belize, a bank account within the Central Bank of Belize (CBB) 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 CBB to make those payments directly from the designated project bank account. 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 (DPB) method (for eligible retroactive financing) and Direct Payments to Supplier.
<input checked="" type="checkbox"/>	Accounting, Information Systems and Reporting	Project accounting will be facilitated through SmartStream (the Government's national financial management system) in accordance with cash-basis international public-sector accounting standards (cash-IPSAS). 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. Though an Internal Audit Unit was established at the MFEDI in September 2020, no internal audits have been conducted so far. To ensure the internal control systems applicable to the project is adequate, the OM outlines the required systems of internal controls to ensure effective fiduciary management.
<input checked="" type="checkbox"/>	External Control: External Financial Audit and Project Reports	Given the capacity constraints of the Office of the Auditor General, the independent external audit (annual and final financial statement) of the program will be financed through the program and contracted to a private audit firm considered eligible by the Bank. 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 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
Digital Innovation to Boost Economic Development in 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 aimed at cooperating in the execution of the project "Digital Innovation to Boost Economic Development in Belize". Such financing will be for the amount of up to US\$10,000,000 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)