



**Office of Evaluation and Oversight, OVE  
Inter-American Development Bank**

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***RE-296***

***Country Program  
Evaluation (CPE)  
Belize 1993-2003***

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Office of Evaluation and Oversight

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## ACRONYMS

<b>ACP:</b>	African, Caribbean and Pacific countries
<b>ARPE:</b>	Annual Review of Projects in Execution
<b>BAHA:</b>	Belize Agricultural Health Project
<b>CAC:</b>	Central American Countries
<b>CARICOM:</b>	Caribbean Community
<b>CDB:</b>	Caribbean Development Bank
<b>CP:</b>	Country Paper
<b>CPP:</b>	Country Programming Paper
<b>CPR:</b>	Country Portfolio Review
<b>DFC:</b>	Development Finance Corporation
<b>ERF:</b>	Emergency Reconstruction Facility
<b>ESTAP:</b>	Environmental, Social and Technical Assistance Project
<b>ESW:</b>	Economic Sector Work
<b>FSO:</b>	Fund for Special Operations
<b>GOB:</b>	Government of Belize
<b>HSRP:</b>	Health Sector Reform Program
<b>IBRD:</b>	International Bank for Reconstruction and Development
<b>ICDF:</b>	International Cooperation and Development Fund
<b>IDA:</b>	International Development Agency
<b>IIC:</b>	Inter- American Investment Corporation
<b>LAAD:</b>	Latin American Agribusiness Development Corporation
<b>LAC:</b>	Latin American Countries
<b>LMP:</b>	Land Management Project
<b>LMS:</b>	Loan Management Systems
<b>MIF:</b>	Multi Lateral Investment Fund
<b>MNREI:</b>	Ministry of Natural Resources, Environment and Industry
<b>MOH:</b>	Ministry of Health
<b>MOWT:</b>	Ministry of Works and Transport
<b>NAFTA:</b>	North American Free Trade Agreement
<b>NEMO:</b>	National Emergency Management Organization
<b>NHI:</b>	National Health Insurance

<b>OPEC:</b>	Organization of Petroleum Exporting Countries
<b>OVE:</b>	Office of Evaluation and Oversight
<b>PAHO:</b>	Pan American Health Organization
<b>PAIS:</b>	Project Alert Identification System
<b>PCR:</b>	Project Completion Reports
<b>PCTR:</b>	Reimbursable Technical Cooperation Project
<b>PMU:</b>	Project Management Unit
<b>PPMR:</b>	Project Progress Monitoring Reports
<b>PRC:</b>	Political Reform Commission
<b>PUP:</b>	People's United Party
<b>RDP:</b>	Regional Development Plan
<b>SDS:</b>	Sustainable Development Department
<b>SPEAR:</b>	Society for the Promotion of Education and Research
<b>SPS:</b>	Sanitary and Phytosanitary (Measures)
<b>TC:</b>	Technical Cooperation
<b>TDC:</b>	Toledo Development Corporation
<b>TEA:</b>	Toledo Eco-Tourism Association
<b>TOT:</b>	Terms of Trade
<b>TRS:</b>	Time Record System
<b>UDP:</b>	United Democratic Party
<b>UK/DFID:</b>	United Kingdom Department for International Development
<b>UNDCP:</b>	United Nations Drug Control Program
<b>WTO:</b>	World Trade Organization

## **STRUCTURE OF THE REPORT**

This report presents an evaluation of the Bank's country program for Belize in the period 1993-2003. It is based on a review of documentary evidence provided by the Bank and other sources, as well as information gleaned from interviews with Bank staff in Headquarters and the Country Office, Government officials, local entrepreneurs and other persons during the missions of OVE to the country<sup>1</sup>.

The evaluation is organized in the following chapters: Chapter I offers an overview of the structure of the Belizean economy, developments taking place during the nineties and the development challenges faced by the country. Chapter II describes and evaluates the programming intent for the country based on two evaluative criteria: relevance and coherence. Chapter III reviews the loan delivery of the Bank's program. Chapter IV analyzes the program output's delivery efficiency and the qualitative dimension of the lending portfolio. Chapter V examines the program as a whole in terms of the broad developmental themes of the Bank's strategic engagement with Belize. Chapter VI concludes with some recommendations for future policy and action in Belize.

## EXECUTIVE SUMMARY

### Country Context and Development Challenges

Belize is a young, multiethnic, small, economically open nation. The country is also relatively less poor and unequal than most countries in the Region. The interaction between these characteristics aids the understanding of both the country's dynamics as well as the developmental challenges that Belize has faced since gaining independence.

As a recently independent country establishing its national identity, its model as a nation, and its role in the Central American region, Belize has been faced with problems of governance that have been further exacerbated by a changing population, which due to immigration, has shifted to a more multiethnic and multilingual population. The country's favorable living conditions, compared to its immediate neighbors, have attracted a large number of Central Americans since the 1980's. As a consequence of this flow, health and education sectors are being stressed to meet increasing service demand. In addition, the immigrant population, and the economy's difficulties to create year-round jobs have contributed to a high rate of unemployment especially among youths, tending to increase social tensions and increase the problems of governance.

Net positive immigration combined with a young population implies that the country's economically active population growth rate is high and growing. It also implies a potential large labor force in the near future. It already imposes a high total dependency ratio of 0.8, which is 20% higher than the Latin American and the Caribbean average. The net effects is that the economy, assuming a unitary output employment elasticity, is required to grow at an annual rate of at least six percent if it is to provide jobs for those that seek them.

Belize is one of the most open economies in the Region. In 1993, total merchandise trade represented 79% of GDP, increasing to 86% of GDP in 2002. Eighty-nine percent of Belize's export income comes from five commodities, while export earnings depend to great extent on preferential trade agreements with its main trade partners: the European Union, the United States and CARICOM. This export structure makes the country highly vulnerable to external shocks and shifts in trade policies. Over the nineties, volatility of terms of trade shocks was higher than the rest of the Caribbean and Latin American countries and the differential has grown since the eighties. In addition, a concern can be raised regarding competition from lower-cost producers as the economy gradually loses preferential access to markets on its main exports.

Competitiveness constraints make it harder for the country to compete both in terms of economic and negotiation power in the global market place. The lack of economies of scale in infrastructure increases production costs and reduces the economy's competitiveness. Poor land management increases production costs and reduces competitiveness. Limited human and capital resources make it difficult for the country to develop an industrially based-culture and diversify into a wide range of activities, making the economy vulnerable to terms of trade shocks. The development of the private sector is constrained by uncertainties in the macro policy, technological gaps, credit rationing, high cost of capital and utilities. In recent years the Bank has sponsored a couple of surveys regarding obstacles for the private sector in doing business in Belize. The respondents pointed out lack of infrastructure, training and adequate technology, high input costs and high taxes, as the major constraints for the development of the private sector

in Belize. Physical infrastructure constraints limit further improvements in commercial agricultural activities and in the tourism industry.

The country's location implies a high incidence of natural disasters (e.g. hurricanes, floods and tropical storms), which compound the negative effects of terms of trade shocks, both effects in turn are accentuated by the structure of the economy. Even moderate shocks tend to have a systemic and deep impact on the economy.

Belize is well off relative to its neighbors, in terms of GDP per capita, incidence of poverty and level of income inequality. Poverty estimates for 1999 show that 26% of households are poor compared to 40% of the LAC. However, in terms of indigence, the large proportion of households in extreme poverty (19%) places the country slightly above the LAC average (16%). Social exclusion (particularly of the Mayan population) is a serious issue, with poverty rates significantly higher, and social service coverage ratios significantly lower, in regions with a high concentration of Mayan people.

Despite the structural problems mentioned earlier, Belize's macroeconomic performance was one of the better ones in LAC. It was one of the few economies in the Region with a low and stable inflation rate (less than 2% annual rate) and a positive GDP growth rate in every year throughout the nineties (averaging 6%, second in the Region only behind Chile). However, behind this positive performance belies a secular deterioration of the country's main macroeconomic balances; in particular the twin deficits of the fiscal and current account of the balance of payments, which are harbingers of problems for the sustainability of economic growth.

The fiscal deficit deteriorated from a surplus of 0.21% of GDP in 1990/91 to a deficit of 9.2% in 2002/03. This rise reflects a secular, although not monotonic, decline in revenues as a percent of GDP, which fell from 29% in 1991/92 to 23.9% in 2002/03, with total expenditure increasing in the first years of the nineties (from 27.6% in 1990/91 to 34.6% in 1992/93) then falling (to 25.1% in 1995/96) and increasing thereafter. The fiscal deficit during the second part of the nineties has implied a rise in public –mainly external- debt from 1998 onwards.

The external sector has deteriorated substantially since 1991. The current account shifted from a surplus of 4% of GDP in 1990, to a deficit of 9% of GDP in 1993, and, after a quick recovery in the period 1994-1996, a sharp decline that reached 18% of GDP in 2000.

### **The Bank's Program**

During the period covered by this evaluation, the Bank prepared two programming papers: the 1993 Country Programming Paper (CPP) and the 1999 Country Paper (CP). The evaluation of the programming documents in terms of relevance and coherence, reveal the following conclusions:

Relevance. There were considerable similarities and congruencies between the programming documents and the stated priorities of the Government. However, in maintaining its relevance, the Bank's change of emphasis following the IDB-8 agreement in 1994 created some problems

for the program in Belize. Of greatest significance was the loss of FSO eligibility for Belize, which created complications for the southern highway project, the country's principal objective in relations with the Bank.

Coherence. Along the three dimensions established to evaluate the coherence of the Bank's program, this evaluation found that: a) from the outset of relations with Belize, the Bank pursued coordination with other development assistance donors and financiers; b) The two approved programming documents contain little discussion regarding ways to optimize the product/instrument mix, make a cost-effective portfolio lending program or even alternative means of attaining specific objectives; c) The Bank did not define its programmatic focus in terms of anticipated results. This problem was particularly acute with respect to the goal of "competitiveness", which was accorded great emphasis in programming documents, but never supported with analysis or defined in measurable terms. The evaluation's review of the two country programming documents found that Bank's program expected development outcome results are not verifiable and actual results are not demonstrable.

Also, there are inconsistencies between the problems identified in the diagnosis and the Bank's program. This is especially the case in the area of human capital development, which was clearly identified as a serious development constraint in the programming documents, but was not addressed by the Bank. Also, the Bank did not bring any substantive institutional strengthening support although it had expressed some interest in "*exploring ways to assist the government in its plans for modernization of the state*" and recognized it as an important public sector constraint especially in the 1999 CP.

### **Bank Program in Execution and Efficiency of Delivery**

Between 1993 and 2002, the Bank approved a total of nine projects for US \$92.2 million dollars; 57 technical cooperation projects worth US \$6.3 million dollars and six Multilateral Investment Fund (MIF) operations equivalent to US \$4.9 million dollars. Nearly 45% of the total lending portfolio was directed towards reconstruction and national disaster preparedness.

In terms of efficiency, Belize's program is significantly above Bank-wide figures in terms of disbursements and execution times. The Bank showed greater agility and flexibility in meeting the urgent financing needs during the reconstruction and rehabilitation of the country in the aftermath of Hurricane Keith.

However, regarding cost-effectiveness, the discussions with Bank staff and Government officials, as well as the review of the performance issues established in the PPMRs, leads to the conclusion that the actual level of institutional strengthening support provided by the Bank is low and it is an issue that affects project implementation. During the period covered by this evaluation, the Bank directed nearly 7% of the total dollar value of the portfolio to institutional support. This percentage is well below the average that OVE has found in other country program evaluations. PPMRs consistently identify institutional-related problems as the main constraint during project execution. A review by OVE of the PPMRs between 1997 and 2002 revealed that institutional weakness and inter-agency coordination are the most persistent problems during project implementation.

During the period 1997-2002, the Bank planned to produce 35 non-financial products for Belize, eight of them classified as Economic and Sector Work (ESW). In the area of planning ESW, Belize ranks only above Costa Rica and Haiti in Region 2. Despite the small amount of ESW, “*RE2 Management felt that it was adequate in proportion to the IDB pipeline. With only one major operation planned per year, it did not make much sense to study sectors which were not likely to result in Bank operations.*”

The degree that the Bank complied with its supervisory promises regarding inspection visits (technical and financial), external audits, and PPMRs administration missions and Country Portfolio Reviews for projects between 1997 and 2002 shows mixed results in terms of the supervisory instrument, projects and dollar value. The Bank has fully complied with the Bank’s norms and procedures in terms of PPMRs and technical visits. This is not the case with respect to administration missions; external audits and planned financial visits where the Bank’s compliance rate is 60%, 76% and 0% respectively. In terms of dollar value only 41% of the External Financial Audit Reports were unqualified. Contrary to the Bank’s Manual guidelines, financial visit planning is an activity not conducted by the Bank in Belize.

In terms of demonstrable outcomes, loan documents lack in general of comprehensive set of baselines, milestones and progress on indicators. The ex-ante evaluability index reveals, at face value, that only 50% of the outcomes (55% of the outputs) specified indicators; 26% (28%) baselines, and 31% (37%) milestones. Moreover, only 35% (57%) of the projects keep documented track of progress on outcome (output) indicators.

## **Results Achieved**

Over the nineties, the Bank’s main overarching goal was to increase the country’s “competitiveness”. Although no indicators were defined for this objective, it was used to justify intervening in the following main development areas: a) regional development; b) natural disasters response and preparedness c) social sector development; d) agriculture and agribusiness; e) tourism; and f), enabling environment.

*Regional Development.* The Bank’s programming intent in the regional development area focused in providing physical and institutional infrastructure, complementary technical assistance to stimulate agricultural export production and diversification, and social and tourism development support. The Bank supported this strategic goal through two loans: the Environmental Social and Technical Assistance Project (ESTAP), approved in October of 1997, and the Rehabilitation of the Southern Highway, approved in July of 1998.

ESTAP (BL0011) was the first Bank loan to the country. During its execution, a Regional Development Plan (RDP) was to be prepared to establish administrative mechanisms, and identify projects to address the processes of environmental and social transformation resulting from the upgrading of the Southern Highway. ESTAP aimed to increase public participation in planning and decision-making for land use and development, enhance protected areas management and environmental protection, and support government, NGO, and community-based activities. These are process goals, and available data suggests that the intended processes were followed, but there are no outcome level results to report on this intervention.

The Southern Highway Rehabilitation Project (BL0001) aimed at improving both economic opportunities and transportation conditions, increase access to agricultural products and tourism for southern Belize and integrate the Toledo District with the rest of the country. In terms of the aforementioned benefits, no baselines were established at the project level. In addition, no data has been collected in terms of progress of the project intent at the outcome level. Therefore, it is difficult to give an informed evaluation to determine whether the rehabilitation of the highway has in fact been accompanied by improvements in the economic opportunities for the people in the southern region of Belize. Moreover, the latest data processed by OVE, using Belize's Household Surveys, implies that the gap between districts has widened and the levels of poverty and extreme poverty incidence in the Southern region have increased compared to the 1997 figures.

*Natural Disasters Preparedness and Response.* Despite being an area not envisioned as “*a permanent feature of the Bank's strategy*”, nearly 45% of the total lending amount (or 60% of the portfolio in the second programming cycle) was directed to natural disaster response and preparedness. The Hurricane Rehabilitation and Disaster Preparedness Program (BL-0015), which was approved in 1999, aimed at reducing the country's vulnerability and improving its response capacity to natural disasters. During the execution of this project, two hurricanes (Keith and Iris) struck and caused considerable damage requiring the Government and the Bank to refocus some rehabilitation activities in order to meet the emergency needs resulting from Keith.

Emergency Reconstruction Facility– Hurricane Keith (BL-0018): During the execution of BL-0015 following Mitch, Hurricane Keith passed over the northern half of the country and outlying cays on September 30-October 1, 2000, causing severe wind damage and flooding. Economic damage was concentrated in the tourism sector and in agriculture and fisheries. The project fulfilled the program objectives in the sense that the activities undertaken permitted the restoration of basic services that were damaged by Hurricane Keith. Heavy emphasis was placed on the realization of infrastructure works, particularly during the program's second stage. The activities directed to the social sectors and to the repair of environmental damage took on secondary importance because the corresponding public entities were not closely associated with the setting and supervision of priorities under the program.

*Social Sector Development.* The Bank's intervention in the social sector development area aimed at enhancing the *Government's ability* to provide quality social services and community participation in social development at all levels of the Belizean society, in particular women. Progress regarding the Bank's intent in this area is difficult to evaluate as the term *Government's ability* is not defined and there are no quantitative or qualitative metrics in the programming documents.

The Bank's efforts to provide quality social services were concentrated in the health sector. Following the 1993 CPP recommendations, a non-reimbursable technical cooperation (AT-1024) was approved in 1994 to “*support to the Ministry of Health and its planning unit for policy preparation and implementation in the health sector, and preparation of an investment project*”. In December 1999, a MIF TC was approved to support the creation of a policy that would establish a regulatory and purchasing environment to facilitate the expansion of Belize's private sector in publicly and privately funded health services. In 2000 the Bank approved the Health

Sector Reform project for Belize (BL0014) designed to “*contribute to improving the health status of the population.*”

At the execution level, the following problems are affecting the implementation of the project: 1) changes in the financing method originally proposed in the project design that are likely to affect the project goal; 2) lack of disbursement from the Caribbean Development Bank, which was supposed to finance about half of the health centers’ infrastructure upgrading by the second quarter of 2003 and; 3) delays implementing the second component of the project.

*Agriculture and Agribusiness.* The Bank’s strategic goal in this area was to prepare the agriculture sector for globalization while promoting adjustments in the economy as preferential trading arrangements phase out. Three projects supported this strategic area: two land administration programs and one agriculture health program.

The Land Administration Project (BL0007) and the Land Management Project (BL0017): The first is a technical cooperation loan type aiming at improving the income of small farmers. There are no identified targets at the outcome level, and no data in the PPMRs regarding small farmer income. However, information collected by OVE implies that the national average income of farmers increased by 0.5% between 1996 and 1999, while the average income of farmers in the Toledo district decreased by 53% in the same period. The project adjusted downward the number of parcels to be adjudicated during loan execution, and virtually none of the parcels in the Mayan areas were adjudicated, reflecting ongoing and unresolved problems relating to Mayan land ownership.

The Land Management Project (BL0017) is a US \$7 million loan approved in June 2001, which aims at improving the efficiency and sustainability of the use of land. This goal is to be achieved supported mainly by the following indicators: (i) Savings in the provision of land administration services compared to the Land Administration Project, (ii) Increase in the number and reductions in the average time for processing land-related transactions, (iii) Ratio of total lease approvals, lease certificates and property titles on annual basis by district and (iv) Number of villages and towns participating in specific LMP activities. There are no baselines for these indicators except for the cost of surveying. There are no references for the number and time of transactions, ratio of lease approvals, lease certificates and property titles. Currently, the latest PPMR establishes that “*no serious implementation problems are foreseen at this time and prospects are good for the assumptions to hold throughout the execution period.*” However, there are three risks identified in the loan proposal that could affect it: (i) traditional form of land tenure in rural areas of Toledo (ii) conflicts over land policy and (iii) border discussions. The most important risk associated to the project is the lack of a legal framework for traditional forms of land tenure in southern Belize.

The Modernization of Agricultural Health Project (BL0003), aims at “*enhancing the competitiveness of Belize’s agricultural products, especially in foreign markets...improving the quality and financial viability of animal and plant health services...reducing losses from disease and ensure the safety and quality of agricultural products for domestic and foreign consumers with increased participation of the private sector*”. The project did not establish outcome indicators, baselines or targets. This was acknowledged in the loan document as a setback in attempting to establish the potential benefits of the Bank’s intervention since “*the lack of*

*agricultural statistics precluded a probability analysis that normally would be associated with the causal effects of health measures.*” Alternatively, the project proposed field samplings to establish a baseline for animal and plant diseases and pests to “*know the phytosanitary and sanitary situation of Belize by 2001.*” However, none of the loan components of the project included costs or tasks associated with the collection and management of such information.

*Tourism.* One project and ten TCs supported this area over the nineties. During the first programming period, the Bank funded three TC operations in support of strategic planning and marketing. In the second period, the Bank supported the sector through one loan and seven TC operations, six of which were directly related to the Tourism Development Project (BL-0012). The loan was designed within the framework of the National Tourism Strategy Plan.

The Tourism Development Project: The stated goal was to increase employment opportunities, foreign exchange earnings, and Government revenues from tourism in a manner that is environmentally and archeologically sustainable. The purpose was to increase tourist arrivals to benefit the public and private sector organizations and communities involved in tourism. The project established indicators, baselines and targets at the outcome level. The Government is collecting information on tourist expenditure, hotel revenues, overnight stays and tourist arrivals. In absolute terms, these figures show a positive trend within the sector.

*Enabling Environment.* The Bank’s intervention in this area aimed at promoting an enabling environment for the productive sectors of the economy. No loans accompanied this strategic goal over the nineties. Instead, the Bank utilized mostly MIF projects to support the developmental intent in this area. Two of the projects, ports privatization and youth training were cancelled by the MIF as a result of execution problems and disagreements on priorities. A tourism training project is executing successfully and is on track for completion in 2004.

## **Recommendations**

Given these findings the evaluation makes the following recommendations to be considered by Management in its next country strategy paper.

In terms of issues for the country:

- The next country strategy needs to address the issue of Belize’s fiscal deficit and external indebtedness, along with an assessment how future Bank action can address these issues through contributing to increasing the efficiency of public expenditure and/or enhancing revenue.
- Promoting the private sector development in a new context where the economy is losing preferential trade agreements is critical. The Bank needs together with the government to design a strategy tailored to the specificities of Belize.
- The high incidence of youth unemployment and the difficulties in creating year-round jobs in the economy suggests that the Bank and the country examine the feasibility of a program tackling the transition from formal education to labor market employment;

In terms of instrument use:

- The Bank needs to increase substantially the amount of ESW in the country not only to enhance the Bank's knowledge but also to provide input for policy discussions within the Belizean Government. The ESW agenda should be discussed and agreed with the Government and presented in the next strategy;
- The past pattern of technical cooperation as generally stand-alone operations should in the future be linked more closely to areas of major activity (either through investment or policy based operations) and be focused in enhancing the institutional capacity surrounding such activities;

In terms of the Bank's own goals:

- The country strategy should define goals, baselines and indicators at the outcome level for each of the strategic goals and explicit the mechanism of collecting their values in the future. The same holds at the project level. The next strategy should include a plan for improving the evaluability of existing and future projects.
- The worrying low incidence of unqualified external auditor's reports suggests that the upcoming country strategy define specific targets within an action plan to reduce fiduciary risk realization.

## I. COUNTRY CONTEXT AND DEVELOPMENT CHALLENGES

1.1 Belize is a young, multiethnic<sup>2</sup>, small<sup>3</sup>, economically open nation that is prone to natural disasters. The country is also relatively less poor and unequal than most countries in the Region. The interaction between these characteristics aids in the understanding of the country's dynamics as well as the developmental challenges that Belize has faced since gaining independence.

### A. A Young Nation

1.2 The country is “young” in two senses: a) it achieved its independence from Great Britain in 1981<sup>4</sup> and; b) it is inhabited by a very young population. Nearly 76% of its 250,000-person population is less than 35 years old.

1.3 As a recently independent country, Belize has been faced with the task of establishing its own national identity, its model as a nation, and defining its role as a Central American or Caribbean country. This has been a difficult undertaking. It has meant sorting through the legacy of a former British colony to establish what is worth keeping and what should be discarded<sup>5</sup>.

1.4 Part of the legacy is that although the country went from a settlement to a colony and then an independent state, key actors and the institutional framework for decision making remains practically the same as the system bequeathed by the British. On the one hand this has bestowed political stability. On the other, it appears to be falling short from the expectations of the Belizeans. Two key indicators substantiate this argument.

1.5 First, in 1994, the Society for the Promotion of Education and Research (SPEAR), conducted a nation-wide consultation to develop recommendations for political reform. The results expressed wide-ranging concerns regarding: a) lack of trust in the institutions; b) low levels of participation in decision-making; c) lack of planning capacity<sup>6</sup>; d) centralization of power in the Cabinet; e) corruption and; f) ignorance regarding the functioning of the system of government and g) concerns regarding the independence and effectiveness of the judiciary<sup>7</sup>.

1.6 Second, in 2002, Belize ranked well below the Caribbean average in most of its governance indicators (see Annex Chart 1). According to the Kaufmann Index of governance, out of a sample of 16 English Caribbean countries, Belize is ranked 6th in terms of political stability; 9th in terms of voice and accountability; 13th with respect to government effectiveness and rule of law; and 14th with respect to regulatory quality and control of corruption<sup>8</sup>.

1.7 The Government responded to this gap by forming a Political Reform Commission (PRC) in 1999, which reviews the country's system of governance and develops proposals. The PRC concluded, “*that Belize's parliamentary system does have some problems and limitations that require urgent attention...these inadequacies can be best addressed*

*without a complete dumping of the parliamentary model. What is needed is a strategic mix of bold political reforms and creative use of limited number of elements of other democratic systems that can enhance the performance of Belize's parliamentary model"*<sup>9</sup>. In December 2000, the PRC completed its task and established 103 recommendations. The majority of the recommendations (about 70 of the 103) have already been accepted and implemented, some with modifications, after two constitutional amendments<sup>10</sup>.

- 1.8 In the areas of rule of law and corruption control has taken steps to eradicate drug plantations and reduce exports to the United States. Measures taken include: a) working with the OAS, IDB, WB and Transparency International, in establishing mechanisms for the prevention of corruption; b) Ratifying the Inter-American Convention against Corruption and preparing a legislation to implement it domestically and; c) strengthening its regulation of offshore financial entities, which includes the introduction of the Money Laundering (Prevention/Amendment) Act, the United Nations Resolutions and Conventions (Enforcement) Act, the Offshore Banking (Amendment) Act and the Financial Intelligence Unit Act<sup>11</sup>. However, the country has to further strengthen its regulation of offshore financial entities; increase the resources available for the enforcement of financial crime legislation; and reduce the movement of illicit funds through Belize as well as the concealment of illegally obtained assets.
- 1.9 The problem of governance has also been strained by a changing population, which, due to large immigration<sup>12</sup>, has shifted to a more multiethnic and multilingual<sup>13</sup> population. The country's favorable living conditions, compared to its immediate neighbors, have attracted a large number of Central Americans since the 1980's. As a consequence of this flow, the health and education sectors are being stressed to meet increasing service demand. In addition, the mostly undocumented immigrant population, and the economy's difficulties in creating year-round jobs, has contributed to a high rate of unemployment especially among youths, tending to increase social tensions<sup>14</sup>.
- 1.10 Net positive immigration combined with a young population implies that the country's economically active population growth rate is high and growing. It also implies a potentially large labor force in the near future. It already imposes a high total dependency ratio of 0.8, which is 20% higher than the Latin American and the Caribbean average.<sup>15</sup> The net effect is that the economy, assuming a unitary output-employment-elasticity, is required to grow at an annual rate of at least 6%.
- 1.11 In addition to the high-required growth rates, economic growth and competitiveness are hindered by the country's low level of human capital. Labor force in Belize comprises 37% of the population, the majority of which has only completed primary school (see Annex Charts 2 and 3)<sup>16</sup>. For every skilled person in the country, there are two unskilled<sup>17</sup>. Currently, the country ranks next to last in a sample of 19 countries in the Region with respect to quality of human capital stock, only above Guatemala. The two core sectors of the economy (agriculture and tourism) employ a great number of unskilled workers on a seasonal basis. Data for 2002 shows that the service sector already accounts for 22% of the labor force, but most of these jobs are "*mainly in the elementary or low paid occupation. Serious attention must be paid to this situation to avert any semblance*

*of subservience - a phenomenon that is associated with the tourism industry from time to time.*"<sup>18</sup>

- 1.12 Further, the country has experienced a large emigration of skilled Belizeans principally to the United States<sup>19</sup>. This situation creates two opposing results in the economy. On one hand, it tends to slow improvements on the average skill level of the labor force and contributes to the deterioration of the average level of human capital, but, on the other, it has meant additional revenues to the economy in the form of remittances, which over the nineties accounted for 4% of GDP. Remittances act as a cushion for the economy as they tend to increase in reply to natural disasters. Since 1996, remittances per capita have increased in response to hurricanes Mitch, Keith and Iris as well as the tropical storm Chantal<sup>20</sup>.

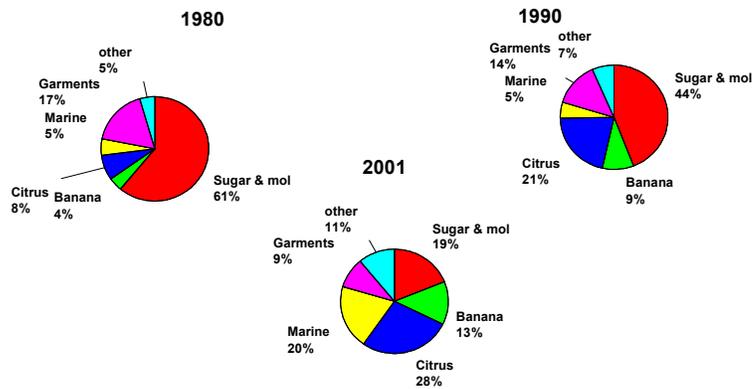
## **B. An Economically Open Nation**

- 1.13 Belize is one of the most open economies in the Region. In 1993, total merchandise trade represented 79% of GDP, increasing to 86% of GDP in 2002. The country's trade structure is characterized by a high commodity and market concentration of its exports, and a "competitiveness"<sup>21</sup> framework based on preferential access that has been eroding through time.
- 1.14 The country's exports are still highly concentrated both in terms of primary commodities and geographical markets. Eighty-nine percent of Belize's export income comes from five commodities (see Chart 1.1). These export earnings depend to a great extent on preferential trade agreements (see Annex Table 1) with its main trade partners: the European Union, the United States and CARICOM. Over the decade, exports to these three markets represented 93% of total exports (45%, 42% and 6% respectively). However, a concern can be raised regarding competition from lower-cost producers as the economy gradually loses preferential access to markets on its main exports through the phasing out of the sugar quota, the duty-free entry of citrus from Mexico to the US under NAFTA and the erosion of preferences in the EU currently accorded to banana producers from the African, Caribbean and Pacific (ACP) countries. "*The gradual erosion of these arrangements expected over the medium term underscores the need to further increase export competitiveness and reduce dependency on these main export crops*"<sup>22</sup>. Another weakness in Belize's export production is that the majority of its exports are low-unit-value items, which generate less foreign exchange than the same volume of high-unit-value manufactured or highly processed items.

### Box 1.1: Export revenue structure

Although the country remains dependent on primary commodities (see Annex Table 2) it has met the declining sugar trade by diversifying its exports to citrus, bananas and marine products.<sup>23</sup> Further, it has followed a successful policy of promoting tourism<sup>24</sup>. During the nineties, the tourism sector represented on average 20% of GDP. This sector became the primary foreign exchange earner, reaching an estimated revenue of US\$ 133 million dollars in 2002<sup>25</sup>. In terms of annual tourism expenditure growth, Belize appears to be profiting from the sector more than the Caribbean (8.5% and 6.6% respectively), but considerably below the 18.9% annual tourism expenditure growth observed by Central America.<sup>26</sup> Nevertheless, tourism expenditures as percentage of GDP, decreased in the period 1998-2002 from 20.5 to 15.6%. However, one major issue related to the increasing growth of tourism is in terms of who benefits from its expansion. Private sector investment in recent years has almost doubled. Such investments are predominantly from large and foreign firms.<sup>27</sup> Apparently, small operators and community organizations with limited human and financial resources lack the ability to organize sustainable and economically viable enterprises.

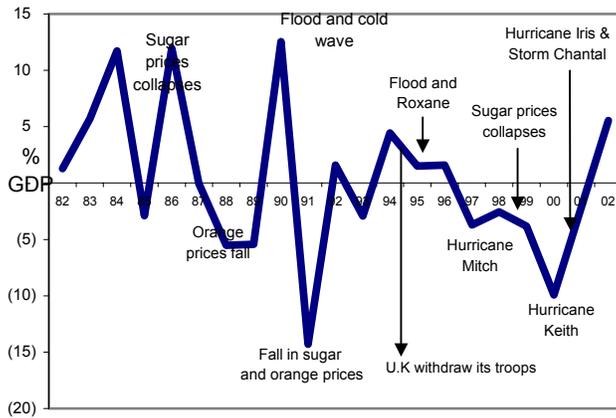
Chart 1.1 Belize Export Composition



Source: Central Bank of Belize, Economic & Financial Statistics, September 2002

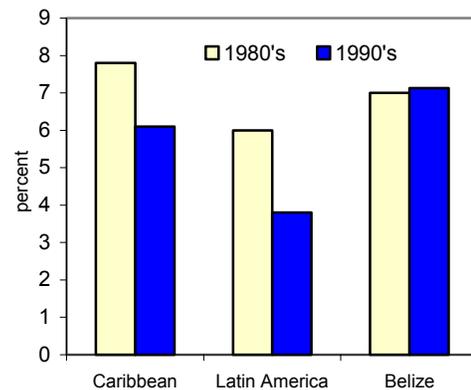
- 1.15 This export structure (commodities and markets) makes the country highly vulnerable to external shocks and shifts in trade policies. Over the nineties, volatility of terms of trade shocks was higher than the rest of the Caribbean and Latin American countries (see Charts 1.2 and 1.3) and the differential has grown since the eighties<sup>28</sup>. The size of the shocks has shifted from average positive shock of 2.1% of GDP during the eighties to average negative shock of 1.4% of GDP during the nineties, or 5% since 1997. The impact of these shocks is aggravated by the country's constraints towards putting in place institutions and policies that would help manage its exposure to economic and other types of shocks. As a small country, Belize tends to have a smaller pool of human and institutional resources to draw on to help mitigate and manage the effects of these shocks.

**Chart 1.2 Size of Term of Trade (TOT) Shocks<sup>&</sup>**



<sup>&</sup> Calculated as:  $(\text{change in price of exports}) / (\text{exports/GDP}) - (\text{change in price of imports}) / (\text{imports/GDP})$

**Chart 1.3 Volatility of TOT Shocks \***



\* Standard deviations in % points of growth. Volatility of terms of trade is measured as 10-year standard deviations in terms of trade shocks.

- 1.16 Competitiveness is also hindered by an inadequate infrastructure. The country is placed among the last in population density worldwide with only 13 persons per square kilometer making infrastructure services costly and limited. The lack of economies of scale in infrastructure increases production costs and reduces the economy's competitiveness.
- 1.17 Infrastructure constraints include the high costs of fuel and telecommunications relative to those in neighboring countries, high electricity prices<sup>29</sup>, and the limited amount of secondary and feeder roads in rural areas. This affects production during the rainy season. Shallow ports reduce transport efficiency. High costs of fuels impact the sugar and banana industries. Electricity costs are among the highest in the Region (see Annex Table 3). The network is subject to frequent and persistent outages due primarily to abnormal transmission and distribution faults. The high cost of electricity and its low reliability affects the development of agro-processing and cold storage facilities, critical for post-harvest activities and marketing<sup>30</sup>. Due to inadequate plant facilities and limited transmission lines, many firms have invested in private power plants. Even in these cases, the cost of electricity is high because of the relatively inefficient generation facilities.
- 1.18 Following extensive road construction in recent years, Belize's road network has increased from 2,248 km to 3,046 km. Still, the country has one of the lowest percentages of paved roads and ratio of vehicles per kilometer<sup>31</sup>. The poor access to roads restricts farm-to-market links for agriculture, which is the critical sector for the rural population. The lack of adequate roads in various parts of the country limits easy transportation of goods across the country, thereby increasing transportation costs<sup>32</sup>. Road maintenance and rehabilitation is inadequate and has become an overwhelming problem for the government. Furthermore, as roads deteriorate, vehicle-operating costs increase rapidly. Capital expenditures are, to a large extent, funded by external sources, causing significant fluctuations in the amounts spent annually<sup>33</sup>.
- 1.19 Growth of agricultural products through extension of land use is also limited. Around 16% of Belize's land has the capability for mechanized agriculture without significant

financial and technological investments (see Annex Table 4). *As more land is developed and those already developed are used intensively, quality land will become scarcer and the overall land quality is likely to deteriorate. The likely implication is that farmers will be constrained to using more marginal lands*<sup>34</sup>.

- 1.20 Poor land management increases production costs and reduces competitiveness<sup>35</sup>. Among the constraints limiting economic development and the effective management of national and private lands in Belize are: a) poor land recording systems that do not offer easy ways to examine land records; b) land conflicts arising from poor sitting and development practices<sup>36</sup>; c) tenuous land security derived from the application of two different land registration systems that hinder efforts to monitor land transactions and resolve land-related issues<sup>37</sup>.

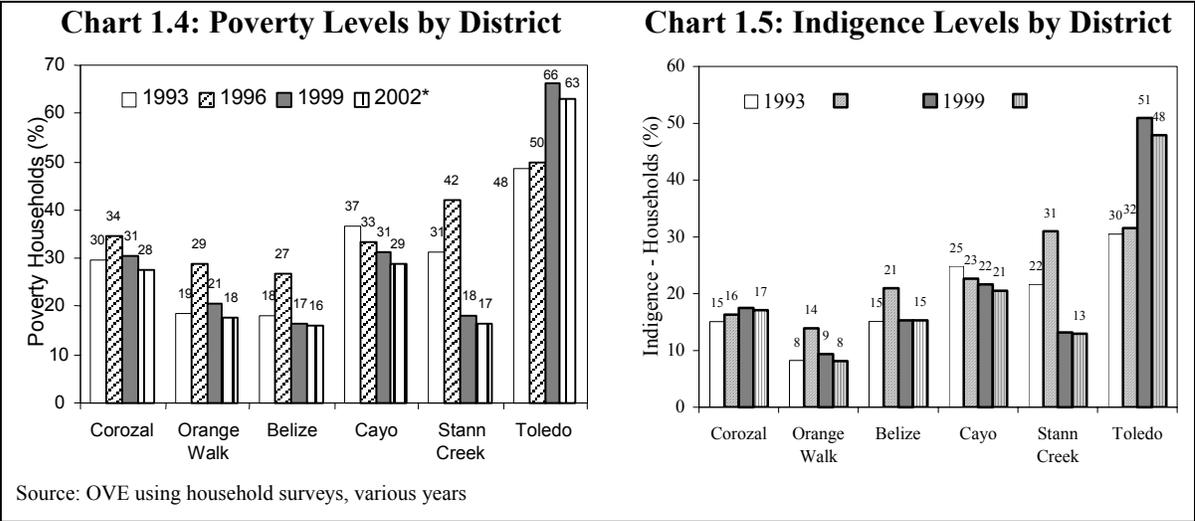
### **C. A Natural Disaster-Prone Economy**

- 1.21 The country's location implies a high incidence of natural disasters (e.g. hurricanes, floods and tropical storms), which compound the negative effects of terms of trade shocks, which in turn are accentuated by the structure of the economy. Even moderate shocks tend to have a systemic and deep impact on the economy. This is of particular concern, as the poorest segments of the population tend to suffer more from these external shocks.
- 1.22 The average cost of natural disasters during the nineties was about 10% of GDP. In the agriculture sector alone, natural disasters contributed to a reduction in production and exports and to short-term increases in food imports. The impact from Tropical Storm Roxanne (1995), Hurricane Keith (2000), Tropical Storm Chantal, and Hurricane Iris (2001), resulted in more than US\$ 200 million in losses and damages to the agriculture sector alone.

### **D. Poverty and Inequality**

- 1.23 Belize is well off relative to its neighbors, in terms of GDP per capita, incidence of poverty and level of income inequality (see Annex Table 5). This low middle-income country has one of the highest GDP per capita in the Central American Region<sup>38</sup> and one of the lowest GINI coefficient index in Latin America (49.2). Poverty estimates for 1999 show that 26% of households are poor compared to 40% of the LAC. However, in terms of indigence, the large proportion of households in extreme poverty (19%) places the country slightly above the LAC average (16%)<sup>39</sup>.
- 1.24 Over the nineties, poverty first rose then fell. The rise was due to increasing unemployment and population growth, combined with a fall in the average wage of workers that forced the real income per capita of households to drop by 26%. As a result, the proportion of households in extreme and total poverty increased from 18% and 27% in 1993 to 22% and 33% in 1996 respectively. As the economy resumed growth and average labor income increased in the late nineties, the incidence of extreme poverty fell to the 1993 level. Thus, in 2002, total poverty dropped to 24% and extreme poverty to 18%.

- 1.25 Economic fluctuations over the nineties had important but uneven effects on the real household income per capita. By the late nineties, middle class households had benefited the most, with a real per capita income growth of 20%. Meanwhile, poor and rich households grew on average 6% and 7% respectively. This phenomenon was directly related to the performance of a slightly more diversified exports sector. The traditional activity, sugar production, carried out mainly in the northern region, was negatively affected by reduction in quotas and dropping of prices. Meanwhile, better prices and greater production of citrus brought an increase in wages and employment in the southern and central part of the country, especially in the Stann Creek district.
- 1.26 Despite a more diversified export sector, some regions did not benefit from economic growth. This was especially true for the Toledo district, where limited availability of good land, the uncertainty of land tenure, and the lack of skilled workers make it minimally attractive for new investment. With less than 10% of the total population, Toledo contains more than a third of households in extreme poverty, making it the district with the highest concentration (see Charts 1.4 and 1.5).
- 1.27 In addition to the absence of the above-mentioned opportunities, the Toledo district lags well behind the rest of the country in social and economic infrastructure development<sup>40</sup> (including the lowest levels of education in the country). There is limited access to basic health services, safe water, sanitation, electricity, land, housing, and essential transport services. In addition, Toledo's unemployment rate is 67% above the national average and its average household income is only about half the national average.
- 1.28 Furthermore, Toledo was the only district in the country where the levels of poverty and indigence increased substantially (15 and 18 percentage points respectively between 1993 and 2002), indicating the lack of increased opportunities, despite the turnaround in economic activity.



- 1.29 In response to this gap, in 2000 the Government introduced a five-year Poverty Elimination Plan designed to promote economic growth, social development, public

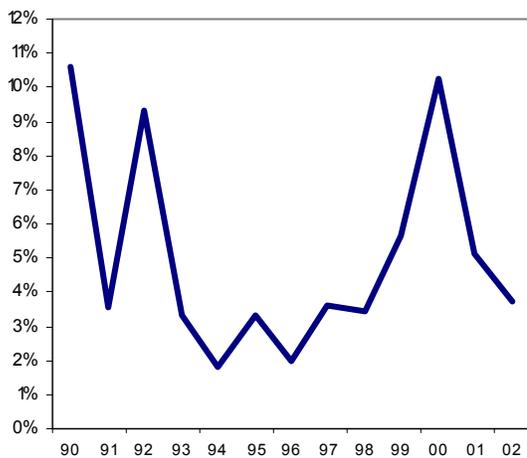
sector efficiency and poverty reduction. The plan focuses on programs for education and training, health care and services, housing, modernization of social safety, infrastructure development and technical assistance, especially in the south.

**E. Economic Development in the Nineties<sup>41</sup>**

1.30 Despite the structural problems mentioned earlier, Belize’s macroeconomic performance was one of the best ones in LAC. It was one of the few economies in the Region with a low and stable inflation rate (less than 2% annual rate) and a positive GDP growth rate in every year throughout the nineties (averaging 6%, in real terms, second in the Region only behind Chile). However, behind this positive performance belies a secular deterioration of the country’s main macroeconomic balances. In particular, the twin deficits of the fiscal and current account of the balance of payments are harbingers of problems for the sustainability of economic growth.

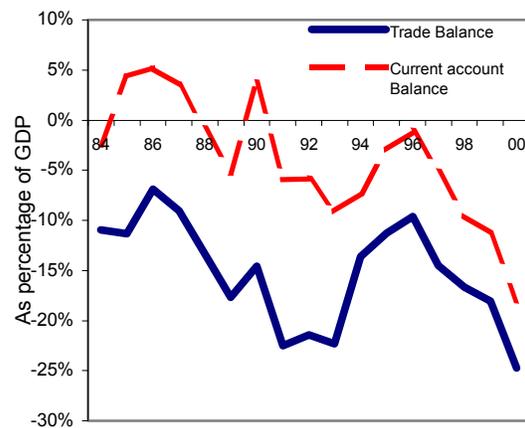
1.31 However, positive real growth rate over the nineties was far from stable. It was marked by a deceleration in the GDP growth during the period 1990-97, acceleration between 1998 and 2000, and a deceleration thereafter (see Charts 1.6 and 1.7). From the aggregate demand decomposition, the first period of growth was led by exports and private consumption, followed by public consumption. The second cycle was led by public investment and exports, which were partly annulled by an enormous negative impulse from imports<sup>42</sup>.

**Chart 1.6: Real GDP Growth (1990-2002)**



Source: IFS and IMF Article IV 2002 Statistics

**Chart 1.7: The External Sector Performance**

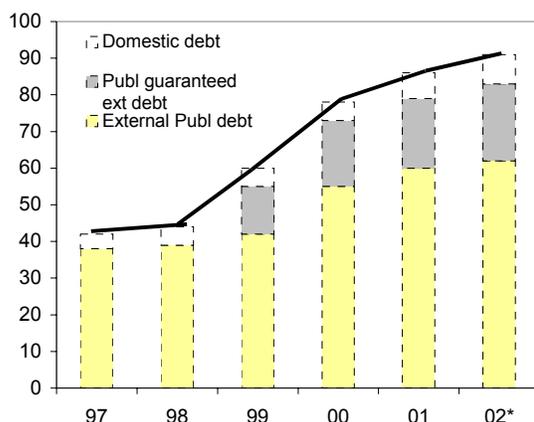


1.32 Economic growth slowed down in the first cycle, caused by a deceleration in the primary and secondary sector activities and a weakening of the public finances and balance of payment positions in the early nineties. In real terms, between 1991 and 1997, GDP growth slowed to 5.1% (compared to 10.7% a year in the period 1987-90), unemployment rose from 11.9% in 1992 to 13.8% in 1996 and to a peak of 14.8% in 1998. Inflation remained stable helped by a pegged exchange rate, established since 1976. In 1996, though, the inflation rate peaked to a historic maximum of 6.4%, mainly

reflecting a strong increase in import prices and the introduction of a 15% value added tax.

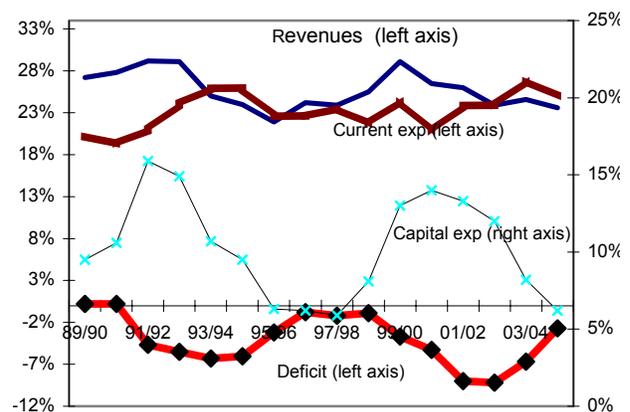
- 1.33 The rise in the growth rate during the post 1998 period can be attributed to a fiscal led expansion. The core of Belize's economic plan in this period was the stimulation of the economy by a combination of increased government spending and a tax reform aiming at lowering overall tax rates while broadening the tax base. As part of its campaign promises to boost economic growth, the PUP Government, presided by Said Musa, adopted both an expansionary fiscal and monetary policy and a provision of subsidized credit to the private sector through the state-owned Development Finance Corporation (DFC), which financed the rapid expansion of its loan portfolio through external commercial borrowing<sup>43</sup>. The highlights of tax reform have been the replacement of the 15% value added tax with an 8% sales tax, the lowering of individual tax rates and the improvement of tax collection procedures. These reforms, along with an overall increase in economic activity in the late nineties, resulted in a discrete increase in tax revenues (see Chart 1.9). The economy resumed growth at the expense of further deteriorating the fiscal deficit, public debt (see Chart 1.8), and the external account balances.

**Chart 1.8: Public and Publicly Guaranteed Debt (% of GDP)**



Source: IMF Article IV and IFS

**Chart 1.9: Fiscal Revenues, Expenditures and Balance (as % of GDP)**



Source: Central Bank of Belize

- 1.34 After recovering in the period 1998-00, the economy once again slowed down due to the combined effects of: (i) the reduced impact of fiscal expansionary stance and (ii) a series of negative shocks (the destruction of roads, tourist facilities and agriculture plantations by Hurricanes Keith and Iris; falling tourism due to the September 11 events, a shrimp-virus epidemic, and a reduction in exports)<sup>44</sup>.

a. The Fiscal Balance

- 1.35 According to Central Bank data, the fiscal deficit deteriorated from a surplus of 0.21% of GDP in 1990/91 to 9.2% (9.6% according to IMF data) in 2002/03 (see Chart 1.9)<sup>45</sup>. This rise reflects a secular, although not monotonic, decline in revenues as a percent of GDP, which fell from 29% in 1991/92 to 23.9% (22.8% according to IMF data) in 2002/03,

with total expenditure increasing in the first years of the nineties (from 27.6% in 1990/91 to 34.6% in 1992/93) then falling (to 25.1% in 1995/96) and increasing thereafter. The fiscal deficit during the second part of the nineties has implied a rise in public –mainly external- debt from 1998 onwards.

- 1.36 Part of the increasing deficit was due to the rise of the wage bill during the nineties<sup>46</sup>. The rise in the wage bill (and interest payments) most likely crowded out operation and maintenance (see Annex Table 6), as well as public investment spending (which contributed with only 1% to the total growth of GDP between 1990 and 1997) to the point of possibly reducing the efficiency of the public service and the effectiveness of programs. From 1995 on, the fall, fueled by large-scale investment programs, was reversed such that by 1998 it reached 37% of GDP. These programs included the upgrading and expansion of the country's infrastructure and services sector (roads, ports and airports, electricity and telephony), social sector programs, and construction and rehabilitation in the housing sector.
- 1.37 Public spending on social programs increased during the first part of the nineties, followed by a sharp fall in the period 1995-1996 and recovery thereafter (see Table 7 in Annex). At the sector level, public spending on education and health remained relatively constant over the decade.
- 1.38 Over the nineties, the fall in Government revenues was explained by a weak administration system, generous tax and duty exemption, the lack of buoyancy of the tax regime<sup>47</sup>, and the tax-sheltered status of the dynamic sectors. In addition, the tax system is characterized by a strong dependence on international transactions and by an income tax that is highly concentrated in the upper brackets (see Annex Table 8). Nearly 8% of the GDP and approximately 33% of total tax revenues in 2002 came from import duties and the Revenue Replacement duty. Other major sources of revenues are the sales and excise taxes that accounted for about 25% of total revenues in 2002<sup>48</sup>.
- 1.39 During the early nineties, the fiscal deficit was mainly financed from credit from the Central Bank. However, the rising deficit in the last five years has been associated with a sharp increase in external debt (see Annex Table 9). The public-sector external debt rose from US\$261 million in 1998 (39% of GDP) to US\$551 million in 2002 (62% of GDP). Consequently, Belize's debt service jumped from US\$ 20 million in 1990 to US \$66 million in 2000: the debt service ratio (as % of exports of goods and services) for these years was 8.7%, and 16% respectively; as a percentage of the Government's current revenue, payments went from 22% in 1998 to 84% in 2002.
- 1.40 During the second part of the nineties, the Government introduced some corrective measures aiming at strengthening the fiscal policy<sup>49</sup>; but the effect was more than offset by the fall in collections of non-tax revenue and income tax.

#### b. The External Balance

- 1.41 The external sector has deteriorated substantially since 1991<sup>50</sup>. The current account (balance of trade) shifted from a surplus of 4% (deficit of 14%) of GDP in 1990, to a

deficit of 9% (22%) of GDP in 1993, and, after a quick recovery in the period 1994-1996, a sharp decline that reached 18% (25%) of GDP in 2000 (see Chart 1.7). To a large extent, the deterioration of the current account was due to the combined effect of stagnating exports (as a percent of GDP<sup>51</sup>) while imports (as a percent of GDP) rose sharply (see Annex Chart 4).

- 1.42 The deteriorating external accounts resulted in severe pressures to the international reserves. In response, the Central Bank rationed foreign exchange, making the currency available only for importers of goods and services deemed essential. However, the amount of transactions conducted outside of official channels increased and the parallel rate started depreciating<sup>52</sup>. To prevent a rapid collapse of the currency peg, the authorities began to borrow heavily abroad to finance the increased spending and the associated increase in import demand.
- 1.43 The interaction of the features described above has left the country with the following dilemma: On one hand, Belize is an economy with relatively high growth rates, low inflation, a stable exchange rate system and less poverty and inequality than the majority of the countries in the Region. On the other hand, it is an economy that has grown at unstable rates<sup>53</sup>, relying more on trade agreements rather than on a competitiveness and productivity basis. The macroeconomic imbalances driven by twin deficits and a high public debt and the diminished Government revenue capacity have undermined the country's macroeconomic stability and the Government's future borrowing capacity. In addition, the public sector, which has been the employer of last resort<sup>54</sup>, has left a legacy of major overstaffing at the clerical level and under supplying at the technical level. Also, the wage disparities between the public and private sector has had the undesirable effect of undermining the economic viability of other sectors by pushing up wages to uncompetitive levels<sup>55</sup>.
- 1.44 In addition, the competitiveness constraints make it harder for the country to compete both in terms of economic and negotiation power in the global market place<sup>56</sup>. Belize is still a nation in the making that shares similar growth constraints, as do most small state economies. Limited human and capital resources make it difficult for the country to develop an industrially based-culture and diversify into a wide range of activities<sup>57</sup>, making the economy vulnerable to terms of trade shocks. The development of the private sector is constrained by uncertainties in the macro policy, technological gaps, high cost of capital and utilities (especially telecommunications and electricity), etcetera<sup>58</sup>. Physical infrastructure constraints limit further improvements in commercial agricultural activities and in the tourism industry. In recent years the Bank has sponsored a couple of surveys regarding obstacles for the private sector in doing business in Belize. The respondents pointed out lack of infrastructure, training and adequate technology, high input costs and high taxes, as the major constraints for the development of the private sector in Belize. But perhaps the most important challenge is to design a package of reforms that enable public institutions to respond more efficiently to the needs of the country as well as set an adequate economic and legal framework for the economy to compete in the global trade market.

## II. THE BANK'S PROGRAM<sup>59</sup>

- 2.1 Since its independence in 1981, Belize expressed its intentions to become a member of the IDB. However, it was not until September of 1992 when Belize became a member of the Bank.
- 2.2 During the period covering this evaluation, the Bank prepared two programming papers: the 1993 Country Programming Paper (CPP) and the 1999 Country Paper (CP).
- 2.3 When analyzing the Bank's programming intent throughout the nineties, it is important to consider that at the time Belize became a Bank member, the Bank was going through an important transition of its strategic directives from the Seventh (IDB-7) to the Eighth (IDB-8) Replenishment. Such transition had important repercussions in shaping the terms of the Bank-country relationship.

### A. The 1993 Country Programming Paper (CPP): *A Reluctant Engagement*

- 2.4 The first CPP was approved in October 1993, in the midst of the Bank's reorganization process and just three months after the new United Democratic Party (UDP) Government, presided by Prime Minister Manuel Esquivel, took office in July 1993. The document tried to respond to the country's developmental challenges established by the Government in its Development Plan Paper<sup>60</sup>. The CPP diagnosis identified the following problems and issues faced by the country:
  - A limited capacity of debt management and servicing which the CPP called to be carefully monitored, as debt service indicators were expected to deteriorate over the following years and the Government planned to increase its external borrowing to finance public investment<sup>61</sup>.
  - A narrow human capital base, both in terms of absolute numbers and depth of skills, which, combined with limited financial resources, restricts the amount of efficient investment that is physically possible.
  - Vulnerable sources of revenue generation, due to the economy's exposure to external factors.
  - Weak competitiveness, market distortions, and lack of physical infrastructure, which compared to other neighboring economies in Central America, reduces the attractiveness of direct investment in Belize.
- 2.5 In terms of strategic goals and the Bank's action, the 1993 CPP recognized the "*unique challenge*" that Belize presented to the Bank, calling for interventions to be "*carefully prioritized and precisely defined and dimensioned given the country's current limited absorptive capacity, both in human and financial terms*"<sup>62</sup>. The strategy aimed at supporting "*the Government's efforts to increase competitiveness, levels of productivity and export capability*"<sup>63</sup> (See Annex Table 10). The above was to be achieved by providing "*physical infrastructure and complementary technical assistance to stimulate agricultural export production and diversification and tourism development*" and

*“improving labor productivity through investments in human capital...”* In addition, the strategy introduced *“several areas [e.g. environment, health and eco-tourism] which merit technical assistance in the form of diagnostics in order to lay the foundation for Bank intervention beyond this CPP period.”*

- 2.6 From the very early stages of its policy dialogue with the Bank, Belize expressed its interest in obtaining assistance for infrastructure development, specifically for the upgrading of the Southern Highway. The 1993 Special Report on the Bank’s first activities in the country stated: *“Belize’s expectations for the Bank’s future lending program are relatively modest, with the Government of Belize’s clear number one priority the Southern Highway Project. Beyond that, the Government has not identified any specific projects for Bank consideration”*<sup>64</sup>. According to the Region, *“under these circumstances, the Bank concurred with the Government’s priorities and began preparing the Southern Highway project for approval”*<sup>65</sup>.
- 2.7 The Bank was perceived by Belizeans as an attractive source of loan funds since under IDB-7 directives, the country was eligible for FSO resources<sup>66</sup>. The World Bank was already providing loans in the infrastructure sector, but these loans were signed under non-concessional terms, as Belize was not eligible for concessional lending under the IDA guidelines. As early as January of 1993, the Bank’s staff undertook a mission to assess the viability of this project. The following month the Bank agreed to start processing the country’s request in a programming mission headed by Mr. Iglesias. A Profile I was approved on April of 1993.
- 2.8 However, under the approval of IDB-8, Belize was no longer eligible for FSO loans<sup>67</sup>. Furthermore, the greater IDB-8 emphasis on social and environmental issues, imposed additional requirements on the proposed Southern Highway project that were not contemplated in the initial design negotiations, hampering its preparation and approval.
- 2.9 In attempting to comply with the new Bank strategic orientations, but also acknowledging Belize’s unwillingness to engage in borrowing at market rates, the Bank recognized that it *would strive to approve one loan operation per year, with technical cooperations selected in a manner not to exceed the absorptive capacity of the borrower*<sup>68</sup>. The Bank country team tried to *obtain the lowest cost combination of resources for each operation including TC-funds and co-financing*.

## **B. The 1999 Country Paper (CP)**

- 2.10 Preparation for a new CP started in 1996, and a draft document was presented to the Programming Committee towards the end of 1997. However, it was not until October of 1999 that the CP was finally approved. This document diagnosis of the country’s problems and challenges included the following issues:
- Development of the private sector. Constraints within this sector included: a) inadequate and cumbersome investment and export incentives schemes; b) costly and inadequate utilities and basic services; and, c) inflexible labor markets and limited supply of skilled labor.

- Public sector constraints, including: a) a lack of a multi-annual budget process to assess and ex-ante the down-stream fiscal impact of long-term investment; and b) in operant centralized system of financial management.
  - Other constraints included: a) low land productivity; b) a shortage of qualified nationals to fill positions at the skilled, technical and professional level, both in the public and private sectors; c) high labor costs, high-energy costs and poor transportation networks; d) limited access to credit; and e) persistent levels of poverty in the country.
- 2.11 The 1999 CP established as an “*urgent priority*” the preparation of the economy for globalization by devising a “*strategy that will promote adjustments in the productive structure of the economy to compensate for the loss of income and employment as preferential trading arrangements are phased out*”<sup>69</sup> (See Annex Table 11). This goal was to be achieved by intervening in six broad areas: a) promoting an enabling environment for the productive sectors; b) promoting agriculture and agribusiness development; c) stimulating tourism and environmental protection; d) supporting the Government’s ability to respond to needs in the social sectors; e) promoting the sustainable development of southern Belize; and f) assisting Belize in responding more effectively to natural disasters. No baseline, outcome indicators, or expected results from the Bank’s actions were included in the CP.

### **C. Evaluation of the Programming Cycles**

- 2.12 In terms of relevance and coherence, the review of the Bank programming documents reveal the following conclusions:
- 2.13 Relevance – Over the nineties, the lack of serious engagement and investment in studying the country caused that the Bank could not form its own view of the developmental needs and challenges of Belize<sup>70</sup>. Therefore, in maintaining its relevance, the Bank chose to reproduce the stated priorities of the Government<sup>71</sup>. However, the Bank’s change of directives in 1994 and the high rotation of the Bank’s country coordinators (five in the last six years) hindered even more the policy dialogue with the country, limiting it to a discussion of possible projects with little or no strategic vision of the country’s macroeconomic perspectives. In this context, the 1999 CP resulted in an over-dimensioned program with little or no focus (see Par. 2.19).
- 2.14 Coherence – Along the three dimensions established to evaluate the coherence of the Bank’s program, this evaluation found that:
- 2.15 Coordination with other donors - From the outset of relations with Belize, the Bank pursued coordination with other development assistance donors and financiers. Through time, coordination remained a key issue for the Bank. In fact, the first recommendation of the Programming Committee that discussed the 1993 Country Programming Paper was “*that the necessary contacts should be maintained to ensure that the Bank’s support for Belize would be properly coordinated with other international agencies working in the country.*”

- 2.16 The Programming Mission Report of 1994 corroborates the coordination and co-financing possibilities mentioned in the 1993 CPP with regard to agriculture, health, and transportation. The concern for securing concessional financing for Belize was reiterated in the 1999 Country Paper as “*a central ingredient of the Bank’s strategy in Belize because it can be used to manage counterpart requirements and external debt burden associated with Bank lending.*” This CP included a matrix of projects by sector, value and financial institution as a schematic way of indicating what other donors were executing in Belize in all areas, including those in which the Bank was not anticipating projects.
- 2.17 In the discussion of the strategy components of the 1999 CP, specific close coordination with an existing UK/DFID financial management project was mentioned in the description of support for public sector reform and modernization, as was coordination with the IMF or World Bank. The need for donor coordination was highlighted as part of the discussion of the secondary education and skills development strategy because the World Bank already had a primary education project and had proposed one for secondary education, for which the CDB indicated interest in co-financing a teacher training component. The World Bank, however, later withdrew the secondary education project. This left the education field open for other donors/financiers, but the Bank made no further effort to pursue any projects in formal education.
- 2.18 Instrument mix - The two approved programming documents contain little discussion regarding ways to optimize the product/instrument mix, make a cost-effective portfolio lending program, or even create alternative means of attaining specific objectives. The 1999 CP attempted to address this issue<sup>72</sup>. The version contains a strategy execution chapter where it discusses the need to streamline the project preparation and approval process for Belize. The discussion includes a proposal for a *Line of Activity Paper* to be prepared for the sectors of emphasis identified in the CP, which includes an estimate of the size, type and mix of Bank instruments needed to address the constraints (MIF, OC (Ordinary Capital) or TC Funds) during the program period and place a dollar limit on the Bank Group financing. However, the Bank did not formalize any Line of Activity Paper during the 1999-2003 programming cycle.
- 2.19 Programmatic focus in terms of anticipated results - The Bank’s programs were not clear enough in their main stated goal: competitiveness. Both programming documents lack a thorough analysis of the factors that would help or hinder reaching such a lofty goal. Moreover, the lack of a conceptual definition on competitiveness in the programming documents may have weakened the Bank’s intervention in Belize by making its intent less focused and effective. Its definition can only be implied from the activities specified by the Bank in the programming documents. In the first cycle, competitiveness refers specifically to the strengthening of the export-agriculture and infrastructure areas. Meanwhile, in the second cycle, the term refers to an all-inclusive activity-based definition covering almost any strategic area (such as: agriculture, health, infrastructure, education and the private sector enabling).
- 2.20 There also exist inconsistencies between the problems identified in the diagnosis and the Bank’s program. This is especially the case in the area of human capital development,

which was clearly identified as a serious development constraint in the programming documents, but was not addressed by the Bank. As mentioned earlier, despite the identification in the CP of the education and training sectors as priority areas, they did not receive substantial attention from the Bank, as other international organizations were already supporting them. The Bank did not explore investment possibilities in the formal education sector, as this was perceived the purview of the World Bank. Nevertheless, the Bank provided technical assistance support for training youth and for tourist activities.<sup>73</sup> On the other hand the IDB portfolio did not bring any substantive institutional strengthening support although the Bank expressed some interest in “*exploring ways to assist the government in its plans for modernization of the state*”<sup>74</sup> and recognized it as an important public sector constraint, especially in the 1999 CP.

- 2.21 Finally, the Bank intent in the programming documents was not articulated in terms of measurable progress toward the achievement of the objectives specified. The evaluation’s review of the two country programming documents found that the Bank’s program expected-development-outcome-results are not verifiable and actual results are not demonstrable. The evaluation of the strategic programming is hindered by the absence of an adequate progress report on a given program cycle and the lack of statistical information regarding what either the Bank or the country assumed would be the outcomes of the strategic goals.

### III. PROGRAM LOAN DELIVERY AND TECHNICAL ASSISTANCE

#### A. Loan Portfolio

- 3.1 *Loan portfolio.* The delivery of the promised programming outputs in terms of loans can be approximated by the following six criteria:
- 3.2 First, the distribution of the Bank’s lending through time and overarching development theme: Between 1993 and 2002, the Bank approved a total of nine projects for US \$92.2 million dollars (see Table 3.1). Lending distribution was biased towards the second programming cycle, during which there were approvals worth US \$69 million (75% of the total lending). The total portfolio represents 13% of the GDP. A closer look at the lending portfolio by year shows that: a) prior to 1997, the Bank did not approve lending operations (see Annex Chart 5); b) the nine projects were approved within four years; c) Nearly 45% of the total lending portfolio was directed towards reconstruction and national disaster preparedness; and d) there were key areas mentioned prominently in the country programming papers that did not find expression in lending projects. There were no loans either directly addressing issues regarding the water and electricity sectors, or the education sector (except for a MIF operation in youth training discussed below). Perhaps the most important aspect was the absence of a loan addressing the country’s modernization of the state needs.

- 3.3 Considering projects from the standpoint of their social equity, the country's portfolio falls below the Bank average in terms of the number of projects with Social Equity classification (33% versus 46%), but not in its dollar value (41% versus 37%).

**Table 3.1 Projects approved in Belize**  
**a) Programming Cycle Jul 1993- Sept 1999**

Project	Type	Project Name	Sect	PI Dt	PII Dt	Appr	Signed	Amt	Closed
BL0007	PCTR	Loan TC Land Administration	AG	03-94	11-95	25-06-97	11-07-97	0.9	11-02
BL0011	PCTR	Environmental & Soc Tech Assist Project	PA	04-93	05-94	10-03-97	18-03-97	2.6	05-02
BL0001	PESP	Rehab of Southern Hwy	TR	04-93	05-94	07-01-98	17-01-98	16	
BL0003	PESP	Mod. of Agric Health Services	AG	03-94	06-97	14-07-99	28-09-99	3.6	
PI – Profile I; PII – Profile II Source: Data warehouse							<b>SUBTOTAL</b>	<b>23.1</b>	

**b) Programming Cycle Oct 1999 – Present Date**

Project	Type	Project Name	Sect	PI Dt	PII Dt	Appr	Signed	Amt	Closed
BL0015	PESP	Hurricane Rehab. & Disaster Prep	IS	03-99	07-99	20-10-99	24-11-99	21.3	
BL0012	PESP	Tourism Dev	TU	09-98	07-99	14-06-00	10-08-00	11	
BL0014	PESP	Health Sect Ref	SA	10-98	10-99	18-10-00	10-04-01	9.8	
BL0018	PERF	Hurricane Keith Emer.	IS	N/A	N/A	01-11-00	21-11-00	20	16-09-02
BL0017	PESP	Land Admin II	AG	02-00	08-00	06-06-01	18-02-02	7	
PI – Profile I; PII – Profile II Source: Data warehouse							<b>SUBTOTAL</b>	<b>69.1</b>	

- 3.4 Second, degree of Bank's lending instrument mix: The second evaluative criterion is based on the degree to which the Bank utilized its gamut of lending instruments in the country<sup>75</sup>. One method of evaluating the instrument mix is to compare actual with programmed mix. While the actual level is known (three lending instruments<sup>76</sup>), country strategies do not provide a baseline for the instrument mix intent. However, Management considers that *"the combination of loans, TCs, and MIF projects approved in Belize represents a "creative mix" of operations that suited the country's situation, given the need to adjust to the loss of FSO resources after the Eighth Replenishment"*<sup>77</sup>.
- 3.5 Third, economic sector work produced and disseminated by the Bank: Economic Sector Work (ESW) is a rough indicator of the Bank's level of engagement and commitment to study and understand the country's development challenges. While ESW may involve extra costs (e.g. timing, quality check, etc.) these costs are expected to be more than offset by substantial benefits, including improvements in the Bank-borrower relationship, speedier acceptance of recommendations both by the Bank and the borrower, and increase in-country capacity for policy research and analysis.
- 3.6 As mentioned before in Chapter II, the Bank fell short in studying the country "in-depth". In terms of ESW, the amount of analytical papers reported by the Bank on Belize is sparse. In the period 1997-2002, the Bank planned to produce 35 Non-Financial Products for Belize<sup>78</sup>, which represents 3% of the total non-financial products planned for the same

period. Only eight of the non-financial projects are classified as ESW (see Annex Table 15). Belize ranks only above Costa Rica and Haiti in Region 2 regarding ESW planning. The Bank produced seven of these notes<sup>79</sup>, all of which are of high quality and relevance to the corresponding sector. Surprisingly, none of these notes are available neither on the Bank's Intranet nor on the Internet website. Despite the small amount of ESW, "*RE2 Management felt that it was adequate in proportion to the IDB pipeline. With only one major operation planned per year, it did not make much sense to study sectors which were not likely to result in Bank operations*"<sup>80</sup>.

- 3.7 The lack of non-financial products hinder the Bank's policy dialogue, stock of knowledge and capacity to engage in developmental issues with the country. Bank staff acknowledged this problem and indicated certain constraints in working with Belize that includes: a) lack of incentives to work in a country with long periods of loan preparation/approval and in addition, a limited fiscal capacity situation and; b) the inadequacy of Bank tools to deal with small countries with no definite boundaries between NGOs, public and private sectors. Government staff acknowledged this problem too, but attributed it to the Bank's lack of commitment to study the country "in-depth" while addressing "real needs" based on meaningful discussions.
- 3.8 Fourth, realization of the lending intent: Realization of lending intent measures the level in which the Bank's programming formally anticipated the subsequent lending program. Table 12 (in Annex)<sup>81</sup> signals the Bank's programming intent with the following features: a) there was practically no anticipatory lending program during the first programming cycle, embodying the Bank's precautionary approach in dealing with the country's "*limited absorptive capacity, both in human and financial terms*"; b) the anticipated but not done category was relatively high during the second programming cycle (60% in terms of projects and 135% in terms of the proposed lending envelope), indicating a possible over-dimensioning of the lending pipeline; c) the not anticipated but done column was relatively high during the first programming cycle<sup>82</sup>, and while small in terms of projects during the second programming cycle, it reflected the Bank's "flexibility" and quick response to the Hurricane Keith emergency, which devastated part of the country in 2000.
- 3.9 Natural disasters changed the composition of the country's portfolio. A major percentage of the portfolio was directed to Hurricane Response (BL-0015: Hurricane Reconstruction and Disaster Preparedness). This change was more evident in 2002 when Hurricane Response concentrated a high percentage (45% of portfolio) due to the implementation of the Emergency Reconstruction Facility following Hurricane Keith (BL-0018)<sup>83</sup>.
- 3.10 Fifth, project execution and portfolio quality: As of December 2003, six of the nine projects approved remained in execution, two from the 1993-99 programming cycle and four from the current cycle. All projects in execution are currently classified as probable or highly probable of achieving their development objectives according to the PPMRs. Since the system started in 1996, only one project has, at some point, experienced problems in achieving its development objectives<sup>84</sup>. No project has been placed "on alert" by PAIS since the system started in 1997. Projects fully disbursed did not encounter any major problems in achieving their development objectives, according to the PCRs. For

example, the Land Administration (BL0007) and the Emergency Reconstruction Facility (BL0018) were classified as highly probable of achieving their development objectives.

- 3.11 Sixth, degree of donor coordination<sup>85</sup>: Forty-four percent of loans were co-financed during the period 1997-02, compared with the Bank's average of 28% projects. Co-financing provided additional funding equivalent to 57% of the portfolio over that period. In two areas, the Bank provided continued funding to build on other agencies' activities that were ending.
- 3.12 Due to Belize's relatively high income per capita, it is not eligible for concessional resources from most bilateral and multilateral donors. At the macro level, there is periodic discussion of issues of mutual interest with other development actors in Belize. At the project level, coordination primarily is expressed as co-financing. In two of the four co-financed projects (BL-0001, and BL-0012), the Bank developed the project and Taiwan and/or the Caribbean Development Bank provided financing for Belize to make the local counterpart contribution or to include a specific component. In the two other co-financed projects (BL-0015 and BL-0014) there was very active coordination with the CDB in their design and preparation, in addition to financing.
- 3.13 Timely disbursement by co-financiers, which affects the Executing Agency's ability to complete its work on time, is not always the case. For example, the Tourism Development Project has been affected by "... *some coordination difficulty with the ICDF [Taiwanese] financing*"<sup>86</sup> and the changing of relevant loan administration personnel at the ICDF that led to disbursement delays. A co-financing (implementation) delay has also been a problem in the Health Sector Reform program, where the Caribbean Development Bank has not disbursed any funds for the activities in Component 1 that they support<sup>87</sup>. This delay, however, "*is due to a lack of progress in execution and coordination between the Government of Belize and the CDB...*"<sup>88</sup> Although the delay is not attributable to coordination between the two Banks, any issues between a co-financier and the Government affect the rhythm of implementation of the overall project.
- 3.14 Comparing the Bank's total lending with that of the World Bank from 1991-2002, the latter lent \$86.2 million compared with the IDB's \$92.2 million for the period 1998-2001. The World Bank, however, is unable to lend now due to the lack of an IMF agreement. USAID had been an important donor until 1995, but then withdrew most, but not all, of its support as they graduated Belize. Its total aid from 1990 through 2001 amounted to \$44.4 million<sup>89</sup>.

## **B. Technical Assistance and the Multilateral Investment Fund**

- 3.15 Between 1993 and 2002, the Bank approved 57 technical cooperation projects worth US \$6.3 million dollars. Four TCs accounted for nearly 50% of the total approval amount (see Annex Table 13). Over time, the yearly dollar amount approvals decreased from a peak US \$2 million in 1994, to US \$0.30 million in 2002. This may be attributed to: a) the limited access to FSO non-reimbursable convertible currency technical cooperation support<sup>90</sup>; and b) Belize's access to grants from bilateral institutions and other donor countries<sup>91</sup>.

- 3.16 From the standpoint of its relationship to other Bank operations, technical cooperation can be grouped as part, parallel or independent of a loan<sup>92</sup>. During the nineties, only 29% of the approved TCs for Belize (49% of the dollar value) were directly linked to a loan, the remaining 71% (51% of the dollar value) were not. Tourism was the sector with more TCs accompanying a project, followed by agriculture.
- 3.17 Regarding the Multilateral Investment Fund (MIF), the Bank approved six operations equivalent to US \$4.9 million dollars (see Annex Table 14). Currently three MIF projects are in execution. Cancellations totaled US \$1.35 million, or 27% of total approvals. While PPMRs placed all three projects in execution as likely to achieve their development objectives, issues have also been identified concerning delays, the need for closer monitoring, supervision and sustainability.

### **C. The Inter-American Investment Corporation**

- 3.18 The Inter-American Corporation (IIC) has only one operation in Belize. The IIC operation for a tilapia project was approved in March 2002 with \$2 million dollars in funding under a \$20 million dollar agency line agreement signed between the IIC and LAAD. Belize's project represents 0.1% of the aggregate net project approvals of the IIC.

## **IV. THE EFFICIENCY OF DELIVERY OF PROGRAM OUTPUTS<sup>93</sup>**

### **A. Timeliness of the delivery program**

- 4.1 Timeliness of the delivery program outputs is measured in terms of time elapsed between the project's formal startup and first disbursement<sup>94</sup>. The average delivery time of investment projects in Belize is three years and eight months, which is comparable to the Bank's average of two years and nine months. The average delivery time of the projects in the first cycle was five years, while in the second cycle it was two years and four months.
- 4.2 The second set of indicators of the "timeliness" of program outputs is the disbursement efficiency dimension of investment operations<sup>95</sup>. Considered in terms of execution and disbursement times of investment projects, the Bank's current portfolio in Belize is well above the norm as compared with the Bank-wide average of projects currently in execution (see Annex Chart 6). Even with respect to "D" countries, which perform better than the Bank's average<sup>96</sup>, Belize disbursement profile falls well above average.

### **B. Cost effectiveness**

- 4.3 The second part of the evaluative criterion involves the delivery of program outputs in a cost-effective fashion. For the period 1996-2002, the ratio of preparation to approval costs was about 2 cents for each dollar approved. The relationship between preparation to approval cost and dollar amount follows an inverse log shape (see Annex Chart 7). This form implies that projects with higher dollar value amounts are associated with smaller preparation costs.

4.4 Another dimension of “cost effectiveness” is the number of activities that directly or indirectly finance institutional support of executing agencies or ministries. During the period covering this evaluation, the Bank directed only 7% of the total dollar value of the portfolio to institutional support, which is low compared to what OVE has found in other country program evaluations<sup>97</sup>. The low level of institutional strengthening support provided by the Bank affects project implementation. A review by OVE of the PPMRs between 2000 and 2003 revealed that institutional weakness and inter-agency coordination are the most persistent problems during project implementation (see Table 16 in Annex).

### **C. Non-loan Promised Program Outputs**

4.5 While loan operations constitute the core of Bank activities, there exist other activities that the Bank uses to support its lending program activities. These are often supervising and monitoring activities that are not mentioned explicitly in programming documents, but they form part of the “promised output” environment surrounding Bank lending activities in the country.

4.6 The degree that the Bank complied with its supervisory promises regarding inspection visits (technical and financial), external audits, and PPMRs administration missions and Country Portfolio Reviews (CPR) for projects between 1997 and 2002 shows mixed results in terms of the supervisory instrument, projects and dollar value. The Bank has fully complied with the Bank’s norms and procedures in terms of PPMRs and technical visits. This is not the case with respect to administration missions; external audits and planned financial visits where the Bank’s compliance rate is 60%, 76% and 0% respectively (see Table 4.2). In terms of dollar value only 41% of the External Financial Audit Reports were unqualified. Contrary to the Bank’s Manual guidelines, financial visit planning is an activity not conducted by the Bank in Belize<sup>98</sup>. This issue was also raised in the 2002 Auditor’s Report on the Review of the Operational and Administrative Activities in Belize, which establishes some deficiencies with respect to the Bank’s operational policies and procedures that include: a) limited quality of the COF/CBL on project execution supervision; b) lack of planning of inspection visits according to the norm; c) inadequate follow-up of pending issues and transmittal to Headquarters; and d) lack of quality control and regular internal feedback on the information included in the PPMR reports. By June 2003, all of these deficiencies, except (d), have been corrected according to the Audit Compliance Report.

**Table 4.2: Level of compliance with Bank's supervision and monitoring mechanisms**

	1998	1999	2000	2001	2002	Total Average
<b>PPMRs</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
EFAS (projects)	67%	67%	50%	100%	100%	76%
Unqualified (\$ value)	0%	0%	26%	0%	97%	41%
Other (\$ value)	100%	100%	74%	100%	3%	59%
Inspection Visits:	100%	100%	100%	100%	N/A	100%
Technical	0	0	0	0	N/A	0
Financial (planned)						
Financial (executed)	1	7	12	3	N/A	6
Admin. Missions	50%	100%	50%	40%	N/A	60%
CPRs	N/A	N/A	0	1	1	67%

Source: Sistema de Supervisión de Proyectos: Evaluación de la utilización de sus instrumentos; PPMRs and LMS 40

- 4.7 Other types of activities accompanying loan documents are the so-called self-evaluations. These evaluations are either voluntary (mid-term and ex-post evaluations) or mandatory (Project Completion Reports). The Belize portfolio includes only one ex-post (which was due on February 2002) and two mid-term evaluations (both due in 2004). With respect to PCRs, three have been completed and approved.

#### **D. The Qualitative Dimension of the Lending Portfolio**

- 4.8 One of the main features of this report is to present an evaluation of the development impact of the Bank's program in Belize over the nineties. In doing this, the report evaluates loan documents by putting the goals (higher outcome objective) and purposes (intermediate outcome) at center stage. It is less concerned with individual project means and outputs. In this context, the Bank has fallen short in terms of demonstrable outcomes, making development progress difficult to evaluate. In general, loan documents lack a comprehensive set of baselines, milestones and progress on indicators at the outcome level. The ex-ante evaluability index at "face value"<sup>99</sup> reveals that only 50% of the outcomes (55% of the outputs) specified indicators; 26% (28%) baselines, and 31% (37%) milestones. Moreover, only 35% (57%) of the projects keep documented track of progress on outcome (output) indicators. In trying to assess the evaluability of the projects in Belize at the design level, OVE found the following results<sup>100</sup>:

- a. **Diagnosis** – In general, project documents present a relatively clear diagnosis of the problem to be addressed. Two exceptions are tourism and health projects. Both present an incomplete or insufficient diagnosis of the situation and problems of the sector. In the tourism project, a full picture is not provided in terms of the situation in the sector, its competitive advantage in the region, composition, volume, and characteristics of tourists, beneficiaries, etc. In the health project, neither a sufficient analysis of the population's health and the situation of the sector are given, nor is a direct link between the problems and the stated solutions provided.
- b. **Objectives and expected results** – Project documents do not provide a clear specification in terms of anticipated results, targets and improved services expected from their activity components. For example, in BL-0001 and BL-0017, loan documents would have benefited more from a greater focus on expectations as compared to a focus on the current situation.

- c. Project logic – For four of the nine projects, logic was neither clearly demonstrated nor consistent with the problem analysis, objectives, components and activities. For example, activities and components in the tourism and health project were difficult to link with the stated goals. The causal links between project components and project objectives were not specified. Also, the indicators for the goal and purpose levels were inadequately selected (e.g. BL-0001).
- d. Assumptions and risks – Only one project presented relatively clear assumptions and risks; the rest did not. In general, the problems detected in this dimension were: a) a very limited number of risks with no description of the mitigation measures to be contemplated; b) risks associated only with outputs but not outcomes; and c) lack of indicators to monitor the occurrence or intensity of risks.
- e. Outcome indicators – Most projects lack adequate outcome indicators. OVE was able to find indicators that were adequate measures of the outcomes established in only three projects.<sup>101</sup> In general, project outcome indicators were not verifiable either in terms of quality and quantity nor did they have a direct link with the outcomes they purported to measure.
- f. Output indicators – In general, projects provided an adequate set of output indicators that were clearly related to the activities and components of the projects.
- g. Baseline data – Projects lack specific baseline measures for outcome indicators in most instances. This is because data collection and processing are not conducted in earlier phases of project preparation<sup>102</sup>.
- h. Monitoring and evaluation – In general, projects included monitoring and evaluation systems such as: annual review of work plans, assessment of targets and execution performance; and participatory monitoring processes. However, self-evaluation (mid-term, final and ex-post evaluations) is a practice not usually performed by the Bank.

## **V. RESULTS ACHIEVED**

- 5.1 The purpose of this Chapter is to present the evaluation’s findings regarding the efficacy of the country program in the major developmental areas. Over the nineties, the Bank’s main overarching goal (e.g. the end to which a design tends) was to increase the country’s “competitiveness”. This goal was to be achieved by intervening in the following main development areas stated in the Bank’s programming papers: a) regional development; b) social sector development; c) tourism; d) agriculture and agribusiness; e) enabling environment; and f) natural disasters response and preparedness.
- 5.2 The benchmark used in the CPEs is the degree of realization of intent. For this purpose, the information required for such evaluation is: baseline (situation when the project started); target (expected result at the end of the program); and status (progress towards meeting and the targets). In analyzing these strategic areas, it has to be kept in mind that the Bank does not collect and disseminate information on its intended development

outcomes neither at the aggregate programming level nor at the project level. Where possible, OVE attempted to fill the development outcome information gap, as the option of using official Bank data was not a viable one.

## A. Regional Development

5.3 The Bank's programming intent in the regional development area focused in providing physical and institutional infrastructure, complementary technical assistance to stimulate agricultural export production and diversification, and social and tourism development support (see Table 5.1). The Bank supported this strategic goal through two loans: the Environmental Social and Technical Assistance Project (ESTAP), approved in October of 1997, and the Rehabilitation of the Southern Highway, approved in July of 1998. In terms of dollar value, these two projects represent 20% of the loan activity.

**Table 5.1: Regional Development Matrix**

Strategy Intent	Indicators	Baseline	Target	Progress towards reaching goals
Relieve infrastructure bottlenecks in the southern districts to facilitate access to agricultural areas; promote sustainable regional development of southern Belize; support agro-industry by reducing production/transportation costs and facilitating the provision of services; facilitate integration with other CAC and; provide reliable access to social services and tourism inland	N/A	N/A	N/A	N/A

Loans accompanying the strategic goals

Project Intent (BL-0011)	Indicators	Baseline	Target	Progress towards reaching goals
To ensure the sustainable development of the southern region of Belize	N/A	N/A	N/A	N/A

Project Intent (BL-0001)	Indicators	Baseline	Target	Progress towards reaching goals
Improve economic opportunities for the people living in the south by integrating them with the rest of Belize	YES <sup>a</sup>	YES <sup>b</sup>	YES <sup>c</sup>	N/A
Purpose	Indicators	Baseline	Target	Progress towards reaching goals
1) Improve transportation conditions for agric prods and reduce prod losses and transport costs 2) Improve access of the southern districts to the	N/A	N/A	N/A	N/A

(Table 5.1 cont.) tourism sector by providing reasonably comfortable travel and short traveling times	YES <sup>d</sup>	YES <sup>e</sup>	YES <sup>f</sup>	YES <sup>g</sup>
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a .- Five yrs after project completion, the disparity in per capita income and quality of life indicators in Toledo and Stann Creek (compared to the four northern districts) will be less than the 1997 figure. b .- Toledo, 41% of the people are poor; 23% are extremely poor. In Stann Creek District 27% are poor and 9% extremely poor. c. - People in the region improve their living conditions. d. – Visitors a day per year. e.- Visitors to Mayan sites f.- Visitors 3,700 and occupancy rate of 57% in 1998 g.- 4,800 visitors in 2000 and the occupancy rate up to 96%.

- 5.4 The first Bank operation in Belize was ESTAP (BL0011). The project aimed at ensuring the sustainable development of the southern region of Belize. A Regional Development Plan (RDP), to be formulated during ESTAP execution, was to provide a policy response, establish administrative mechanisms, and identify projects to address the processes of environmental and social transformation resulting from the upgrading of the Southern Highway. ESTAP aimed to increase public participation in planning and decision-making for land use and development, enhance protected areas management and environmental protection, and support government, NGO, and community-based activities.
- 5.5 The document did not establish any indicators, baselines or targets at the outcome level (see Table 5.1). At the output level, the success of the project components assumed the following: The RDP would be accepted by the GOB, communities would participate and accept the plans, qualified and competent people would be available at budgeted price, and the Government line agencies would support the project. In the end, the Plan was prepared with community input as envisioned in the project design. The GOB also established the TDC to carry out the Plan, much of which was not implemented. The environmental protection component, however, provided on-site technical support by community monitoring of compliance and social mitigation measures for the Southern Highway rehabilitation project.
- 5.6 The project supported community participation through training, workshops, seminars and public education activities in order to build capacity within community-based organizations and for general public information. The PCR notes that often people came to public meetings in response to attractive incentives rather than to make meaningful contributions. Regarding the risks, the project failed to recognize that parties could use the project to advance a political agenda especially at the time of 1998 national general election.
- 5.7 The other major project in the regional development strategic area was the Southern Highway Rehabilitation Project (BL0001), which aimed at improving both economic opportunities and transportation conditions, increase access to agricultural products and tourism (see Table 5.1) for southern Belize and integrate the Toledo District with the remainder of the country.
- 5.8 The project was first conceptualized in 1993, but it was not until 1998 when it was approved<sup>103</sup>. According to the 1993 CPP, the project could not be “*justifiable based purely on vehicle operating cost savings, because traffic volumes are so low...Thus, the remaining benefits will need to be quantified*”<sup>104</sup>. However, it was noted by the document

that “*many of the first-order benefits of the road will tend to go to large landowners, particularly with respect to citrus, this crop is an important exchange earner, and increases in foreign exchange are a primary Bank goal for the productive sectors.*” In terms of the aforementioned benefits, no baselines were established at the project level. In addition, no data has been collected in terms of progress of the project intent at the outcome level (see Table 5.1). Therefore, it is difficult to give an informed evaluation to determine whether the rehabilitation of the highway has in fact been accompanied by improvements in the economic opportunities for the people in the southern region of Belize. Moreover, the latest data processed by OVE, using Belize’s Household Surveys, implies that the gap between districts has widened (see Chapter I) and the levels of poverty and extreme poverty incidence in the Southern region have increased compared to the 1997 figures. At the purpose level (see Table 5.1), the Bank has been collecting information on the number of visitors and the occupancy rate of the tourism areas in the southern region, which show a positive trend during the last five years. In terms of transportation conditions for agricultural products, the Bank did not provide any indicator, baseline or target. However, a rough indicator used by the Bank in its Assessment of the Project is the volume of traffic of heavy and light vehicles. According to the Assessment Report, in the period 2001-2002, traffic surveys reported a 386% growth in light vehicles and 220% in heavy vehicles.

- 5.9 At the output level, the project components are the rehabilitation and upgrade of 105 miles of roads, the rehabilitation of bridges in poor conditions, and the support of institutional improvements and strengthening of the national construction management capacity. The majority of these components are completed or on schedule<sup>105</sup>.

## **B. Natural Disasters Preparedness and Response**

- 5.10 As mentioned in Chapter I, the country’s location implies a high incidence of natural disasters. Despite being an area not envisioned as “*a permanent feature of the Bank’s strategy*”<sup>106</sup>, nearly 45% of the total lending amount (or 60% of the portfolio in the second programming cycle) was directed to natural disaster response and preparedness.
- 5.11 The Bank’s support focused on assisting Belize, placing essential instruments upon which to build a sound national capacity for dealing with emergency preparedness and management, and helping the country to recover from the effects of Hurricanes Keith and Iris (see Table 5.2). With respect to providing emergency relief, the Bank even reformulated ongoing programs and agreed to subsequent changes in resource allocations.

**Table 5.2: Natural Disasters Response and Preparedness Matrix**

Strategy Intent	Indicators	Baseline	Target	Progress towards reaching goals
Assist in placing essential instruments upon which to build a sound national capacity for dealing with emergency preparedness and mgmt. Assist in the event of a natural disaster.	N/A	N/A	N/A	N/A

Loans accompanying the strategic goals

Project Intent (BL-0015)	Indicators	Baseline	Target	Progress towards reaching goals
Reduce the country's vulnerability and improve its response capacity to natural disasters. Specifically the objectives are the prevention of deaths and injuries and the mitigation of material losses when events of this nature take place.	N/A	N/A	N/A	N/A

Project Intent (BL-0018)	Indicators	Baseline	Target	Progress towards reaching goals
Restore basic services to the population affected by Hurricane Keith	N/A	YES <sup>a</sup>	N/A	N/A

(Table 5.2 cont.) a .- An estimated 190,000 residents in four districts of Belize (Corozal, Orange Walk, Cayo and Belize) were severely affected. US\$ 262 million in damages to the agriculture, tourism and infrastructure sectors. Some 3,000 houses (about 10% of the 1994 housing stock in the stricken areas, all precariously built) were damaged so badly as to require replacement. Water supply systems were greatly affected. There was damage to roads, bridges, school buildings, the National Hospital, and the power and communications sector. Some 57,000 people suffered losses (23% of the country's population), although the death toll was limited.

Hurricane Mitch swept through Central America in 1998. Belize, for the most part, was spared from the brunt of Mitch but 28,000 people had to be ushered inland from endangered coastal areas and placed in overcrowded shelters. The storm exposed a number of limitations in Belize's preparedness to deal with future natural disasters. These ranged from the precariousness of basic infrastructure to shortcomings at the institutional and organizational levels (management of preparedness, relief and mitigation activities).

- 5.12 Prior to Hurricane Mitch, disaster emergency management was handled in an ad hoc fashion from the Office of the Prime Minister. The Hurricane prompted activation of NEMO, the National Emergency Management Organization, and exposed the need to further improve disaster and community preparedness in three respects: pass legislation to duly establish NEMO and the responsibilities of other public entities in the context of a National Disaster Plan, which itself needed to be developed; enhance the availability of technical resources and equipment to strengthen NEMO's ability to handle emergencies; and undertake hazard information and risk assessment studies to guide public and private investment in critical infrastructure and lifeline networks.

- 5.13 Following Mitch, the Bank funded a study of the status of NEMO to identify remedial actions, and present recommendations for making the National Disaster Plan more operational. A subsequent technical assistance in May 1999 financed essential support for activities, including the evaluation of contingency arrangements in ministries and disaster response agencies, preparation of multi-sector hazard plans and the review of emergency telecommunications. The TA also funded examination of conditions for carrying out hazard and risk assessments, the review of model disaster legislation and regulations, and proposed amendments of disaster legislation in Belizean law<sup>107</sup>.
- 5.14 The Hurricane Rehabilitation and Disaster Preparedness Program (BL-0015), which was approved in 1999, aimed at reducing the country's vulnerability and improving its response capacity to natural disasters (see Table 5.2)<sup>108</sup>. During the execution of this project, two hurricanes (Keith and Iris) struck and caused considerable damage requiring the Government and the Bank to refocus some rehabilitation activities in order to meet the emergency needs resulting from Keith.
- 5.15 In addition to institutional coordination, Belize's basic implicit hurricane strategy calls for the evacuation of the endangered population to move far inland. One of the underlying objectives of this project, therefore, is to set up safe havens for both rural and urban residents fleeing from hurricanes. The approach calls for the retrofitting and building of shelters away from the sea in peripheral areas of the hinterland and to facilitate access to them by people living near the coast.
- 5.16 Early delays in executing the vulnerability mitigation component are attributed in part to the scarcity of qualified workmen exacerbated, in part, by a Government program competing for the same labor pool. During the execution of the Rehabilitation Project, the GOB initiated a program for the construction of low-income housing. The housing program, by contrast, called for the mass construction of equal or similar design, resulting in economies of scale and perceived profit advantages. As a result, the construction of housing produced a migration of labor from shelter retrofitting activities to the new subdivisions, thus disrupting the original timetable for building shelters<sup>109</sup>.
- 5.17 The Rehabilitation Project resulted, nonetheless, in new or upgraded culverts along the roads and drainage systems that now make escape routes passable during storms and subsequent flood threats. OVE field inspections included shelters under construction that also serve as schools and community centers. In at least one case (Blue Creek), shelter/school construction parallels other new community assets.
- 5.18 On the institutional side, the Rehabilitation Project from Hurricane Mitch (BL-0015) has assisted NEMO in the formulation of the Law of Preparation and Response to Disasters. This law establishes the institutional framework (among NEMO and pertinent agencies), national level response plans, logistical requirements (for operation centers and shelters), and the obligation of public bodies to adhere to the Sub-Committee's directives, such as the definition of vulnerable areas, disaster alerts, and the execution of international treaties.

- 5.19 Emergency Reconstruction Facility– Hurricane Keith (BL-0018): During the execution of BL-0015 following Mitch, Hurricane Keith passed over the northern half of the country and outlying cayes on September 30-October 1, 2000, causing severe wind damage and flooding. Total damage was estimated at US\$280 million or about 46% of the year's nominal GDP (79% of 1999 exports).<sup>110</sup> Economic damage was concentrated in the tourism sector (destruction of buildings and infrastructure; reduction in tourist arrivals) and in agriculture and fisheries (sugar, citrus and rice crops were affected; infrastructure and equipment required by fishermen were also lost).
- 5.20 BL-0018 fulfilled the program objectives in the sense that the activities undertaken permitted the restoration of basic services that were damaged by Hurricane Keith. With respect to the specific objectives implied in the allocation of resources, however, it is evident that heavy emphasis was placed on the realization of infrastructure works, particularly during the program's second stage. The activities directed to the social sectors and to the repair of environmental damage took on secondary importance because the corresponding public entities were not closely associated with the setting and supervision of priorities under the program. In addition, MOWT influenced resource allocation in the direction of activities under its purview (particularly road works), which was beyond the share reserved for this category when the program was designed.
- 5.21 In addition, a recent evaluation carried by OVE found that *“the size of the Belize ERF was probably excessive...accounting for a large share of the state's budget for fiscal 2000-01 (9%) and accelerating the trend of rising external indebtedness that has manifested itself in recent years...In this situation, given the country's propensity to be battered by hurricanes which may make further external credits necessary to face their consequences in future years, there was a premium on keeping this operation as small as possible.”*<sup>111</sup>.
- 5.22 Hurricane Iris Reformulation Components: On October 8, 2001 Hurricane Iris – a fast moving Category 4 Hurricane – struck the southern coast of Belize. The Government declared a state of emergency the same day in the southern districts of Stann Creek and Toledo where the storm damage was concentrated. While Iris did not affect the country's main population and tourist centers, the storm was a disaster for Belize, which was already feeling the impact of reduced U.S. tourism arrivals and lower commodity prices.
- 5.23 The banana industry suffered estimated losses of nearly US\$58 million out of a total agricultural loss of some US\$70 million. Forty-five percent of the 2001 banana crop was destroyed. The sub-sectors of aquaculture and citrus reported production losses of 25%. In the tourism sector, eighty-two hotels, or 20 percent of the country's total, were directly affected while some 570-hotel rooms required rebuilding or repair. Total industry losses were estimated at US\$36 million. Twenty-seven villages in Toledo and eleven villages in Stann Creek District suffered extensive damage with 80% to 95% of the homes reportedly destroyed or damaged. Total losses associated with the hurricane amount to US\$138.4 million.

## C. Social Sector Development

- 5.24 The Bank's intervention in the social sector development area aimed at enhancing the *Government's ability* to provide quality social services and community participation in social development at all levels of the Belizean society, in particular women (see Table 5.2). Progress regarding the Bank's intent in this area is difficult to evaluate as the term *Government's ability* is not defined and there is no quantitative or qualitative metrics in the programming documents.

**Table 5.3: Social Sector Matrix**

Strategy Intent	Indicators	Baseline	Target	Progress towards reaching goals
Enhancing the Government's ability to provide quality social services (e.g. water and sanitation, education and health) and enhancing the community participation in social development at all levels, particularly among women.	N/A	N/A	N/A	N/A

Loans accompanying the strategic goals

Project Intent (BL-0014)	Indicators	Baseline	Target	Progress towards reaching goals
Contribute to improve the health status of the population	YES <sup>a</sup>	YES <sup>b</sup>	YES <sup>c</sup>	N/A
Purpose	Indicators	Baseline	Target	Progress towards reaching goals
Improve a) quality; b) efficiency and c) equity of health services delivery	YES <sup>d</sup>	N/A	YES <sup>e</sup>	N/A

a.- Number of cholera cases and infant mortality rates. b.- 12 cases of cholera and 26/1000 live born in 1999 c- zero cases. d- client satisfaction; Nosocomial infections; "adequate" physical access to health services (based on PAHO standards); financial access (based on successful implementation of the NHI); Average throughput meets defined standards; e- 100% of the population reached.

- 5.25 The Bank's efforts to provide quality social services were concentrated in the health sector only. The 1993 Country Paper aims at bringing "*health indicators to levels compatible to the socioeconomic status of the country and reducing the incidence of preventable diseases among the more vulnerable groups of the population – women and children*".
- 5.26 Following the 1993 CPP recommendations, a non-reimbursable technical cooperation (AT-1024) was approved in 1994 to "*support to the Ministry of Health and its planning unit for policy preparation and implementation in the health sector, and preparation of an investment project*". At the same time, the GOB started a process of reform oriented to "*envision a national health care system which is based upon equity, affordability,*

*accessibility, quality, and sustainability in effective partnership with all levels (sectors) of government and the rest of the society in order to develop and maintain an environment conducive to good health”* and identify national goals and targets. According to the MOH, the Health Reform Program was seen as a detailed “implementation plan” that would serve as the basis for the National Health Plan (NHP) of 1996-2000<sup>112</sup>.

- 5.27 In December 1999, a MIF TC was approved to support the creation of a policy that would establish a regulatory and purchasing environment to facilitate the expansion of Belize’s private sector in publicly and privately funded health services. This project would also provide technical support for the development of a health services purchasing plan, market organization for private health care providers, and a design of an Operational Manual for an Innovation Fund. Initial studies resulting from this TC evaluated alternative approaches for conducting the reform process and formulated specific recommendations regarding needed policy, administrative and legal changes. While the project is rated as satisfactory in its implementation, it was marked by long delays in its start up and it is still pending to solve some key issues that include the development of a regulatory framework.
- 5.28 Towards the end of 2000, the Bank signed a loan agreement with Belize (BL0014) for a US\$ 9.8 million Health Sector Reform project<sup>113</sup>. The goal of the project was to “*contribute to improving the health status of the population*” (see Table 5.3)<sup>114</sup>. The specific objectives of the project are: a) separating the health service-provision and financing functions; b) implementing a new health care model; c) decentralizing the public health system; and, d) creating a National Health Insurance model (NHI) with an identified source of financing.
- 5.29 The Government proposed a payroll tax as the method to finance the additional resources required to meet the recurrent costs of the health system reform. The Bank raised concerns that this type of financing would “*create macroeconomic and sectoral distortions by increasing labor costs and posing risks of cross-subsidization.*” Despite these concerns, the loan was signed under this financing scheme<sup>115</sup>.
- 5.30 The project established some outcome indicators, baselines and targets (see Table 5.3). The current PPMR system however provides no information on the progress of these outcome indicators<sup>116</sup>. Moreover, the PPMR acknowledges the difficulties in defining adequate outcome indicators to monitor the development objective progress<sup>117</sup>. According to the current PPMR, “*there is an urgent need to review the current indicators and assumptions related to the Development Objectives. Some of them are either unrealistic or irrelevant due changes in policy or reliance on other unrelated activities.*”
- 5.31 In its effort to provide proxies for outcome indicators, the PPMR includes partial measures on health status improvements. Others were excluded or are incomplete. For example, infant mortality rates (mentioned and measured in the Project Loan) are excluded in the PPMR. The incidence of cholera cases is the only indicator included for transmissible diseases, but raises questions on whether it is appropriate to monitor this type of morbidity in the country<sup>118</sup>. Finally, although the issue of efficiency in public

expenditure composition was raised in the loan document, there was no indicator proposed to evaluate its progress.

- 5.32 At the execution level, the following problems are affecting the implementation of the project<sup>119</sup>: 1) changes in the financing method originally proposed in the project design that are likely to affect the project goal. In its 2003 Manifesto, the Government stated, “*the health insurance would not be financed by a payroll tax*”<sup>120</sup>; 2) lack of disbursement from the Caribbean Development Bank, which was supposed to finance about half of the health centers’ infrastructure upgrading by the second quarter of 2003<sup>121</sup>; 3) delays implementing the second component of the project.
- 5.33 Between December 2001 and June 2003, the project was rated as “Low Probable” in achieving its development objectives<sup>122</sup>. In June 2003, the PPMR changed the June 2003 classification to “Probable” without solid justification. The PPMR showed important inconsistencies among the status of the project, the actions proposed and the PPMR ratings<sup>123</sup>. Moreover, the PPMR showed no progress on any of the actions previously proposed. OVE identified no reason to explain the change in the development objective ratings as well as the change in the classification of the third component from “Unsatisfactory” to “Satisfactory”, since there was no actual change in the policy regarding the NHI and its financing method.
- 5.34 In February 2004, the Bank conducted an Administrative Mission to review the policy development and discuss future action plan with the Government regarding key issues affecting the project implementation. During this mission, the Bank acknowledged “*the GOB has made certain policy decisions that may have far-reaching implications for the HSRP and the MIF as they were originally designed. GOB has decided not to pursue a payroll tax to finance the NHIF*”<sup>124</sup>. Also, the Bank and the Government of Belize agreed to amend and extend the loan contract. In terms of policy changes and update information on indicators no formal agreement has been reached<sup>125</sup>.

#### **D. Agriculture and Agribusiness**

- 5.35 The Bank’s strategic goal in this area was to prepare the agriculture sector for globalization while promoting adjustments in the economy as preferential trading arrangements phase out (see Table 5.4). Three projects supported this strategic area: two land administration programs and one agriculture health program.

**Table 5.4: Agriculture and Agribusiness Matrix**

Strategy Intent	Indicators	Baseline	Target	Progress towards reaching goals
Reduce vulnerability to world price movements and/or preferential markets of top foreign exchange earnings focusing on increasing value added to agricultural products; improve income generating activities which target assistance to small farmers in extension and credit services and; promote agriculture and agribusiness development by stressing private sector led export diversification, improved productivity and policy support on trade matters. During the nineties, the Bank addressed this goal via two land management projects and one agriculture health sector program.	N/A	N/A	N/A	N/A

Loans accompanying the strategic goals

Project Intent (BL-0003)	Indicators	Baseline	Target	Progress towards reaching goals
Enhance the competitiveness of Belize's agricultural products, especially in foreign markets	N/A	N/A	N/A	N/A
Purpose	Indicators	Baseline	Target	Progress towards reaching goals
1) To ensure that agricultural and fishery products, including meats, fruits and vegetables produced for internal consumption and the export market meet the WTO health standard	YES <sup>a</sup>	N/A	N/A	N/A
2) The new quality of products increases the income accrued to farmers due to the reduction of losses from diseases and infections	YES <sup>b</sup>	N/A	N/A	N/A
3) Use of soil amendments in agriculture, more efficient	YES <sup>c</sup>	N/A	N/A	N/A

a.- Volume of exports; b.- Incidence of diseases and plant pests; c.- Farmers accepting recommendations on soil amendments

Project Intent (BL-0007)	Indicators	Baseline	Target	Progress towards reaching goals
Improve small farmer income by increasing prod. investment in land and easier access to credit using land as collateral, generating an efficient land market, increasing gov't revenues, implementing better land use and planning, and env. monitoring	YES <sup>a</sup>	YES <sup>b</sup>	N/A	N/A
Purpose	Indicators	Baseline	Target	Progress towards reaching goals
Establish a reliable system of land records management and give individuals secure land tenure	N/A	N/A	N/A	N/A

a.- Increase in the number of land transactions; 20% increase in annual collection of taxes and rents; B\$2 million of arrears collected; increase in the number of titles and leases need each year for bank collateral. b.- the Government is collecting approx US \$900,000 per year in land taxes and rents (or 55% of the annual rents and taxes due). Arrears are increasing at about US \$740,000 per year. The cost of surveying is US\$750, not many rural individuals can afford surveys so their applications for land are left pending until the Gov can perform the survey.

Project Intent (BL-0017)	Indicators	Baseline	Target	Progress towards reaching goals
Contribute to the enabling environment for private and public development	YES <sup>a</sup>	N/A	N/A	N/A
Purpose	Indicators	Baseline	Target	Progress towards reaching goals
Improve the efficient and sustainable use of land resources through: a) enhanced land security b) effective land markets and c) promotion of a coherent land policy framework	YES <sup>b</sup>	YES <sup>c</sup>	YES <sup>d</sup>	YES <sup>e</sup>

a.- Incremental investment on land resulting from increased land security and improved registration services ii. Reduction in the number of land related disputes b.- i. Shift towards an improved market value as a basis for land valuation ii. Savings (per parcel size) in the provision of land administration services (Table 5.4 cont) iii. Increase in the number of land-related transactions iv. Reductions in the average time for processing land related transactions v. Number of villages and towns participating in specific program activities vi. Improvement in collection c.- i) N/A ii) N/A iii) Total of 26,000 rural parcels registered and 27,000 urban parcels registered in declared areas. In non-declared areas 26,000 rural parcels registered and 18,000 urban parcels registered. iv) N/A v) N/A vi) Collection is estimated at US\$1.15 million in 2001 d.- i) N/A, ii) N/A, iii) N/A, iv) N/A v) 30% by end of program vi) increase of 85% by Y5 or US\$2.75 million e.- Only on iv) cost of land admin provision services has gone down, from 200b\$ to 120b\$.

5.36 The Land Administration Project (BL0007) and the Land Management Project (BL0017): The first is a technical cooperation loan type approved in 1997 aiming at improving the

income of small farmers (see Table 5.4)<sup>127</sup>. A US \$350,000 grant and US \$1 million from local counterpart resources supported the project.

- 5.37 The original project goal and its indicators are not reflected in the PPMR. Instead, the project purpose appears as the development objective, which aims at “*establishing a reliable system of land records management and giving individuals secure land tenure*” based on two indicators: “(i) *Computerized info system installed and (ii) 40% of rural parcels adjudicated.*” There are no identified targets at the outcome level (see Table 5.4). Regarding data collection, the Bank has not reported any progress at the outcome level. However, information collected by OVE implies that the national average income of farmers increased by 0.5% between 1996 and 1999, while the average income of farmers in the Toledo district decreased by 53% in the same period<sup>128</sup>.
- 5.38 Even though the implementation progress was classified as satisfactory in all PPMRs, the project was extended twice due to delays in the procurement of equipment<sup>129</sup>, a public awareness campaign, an underestimation of costs, problems in the adjudication process and the timing of the international technical assistance<sup>130</sup>. In addition, due to the underestimation of costs and management difficulties in carrying out the adjudication process in rural areas<sup>131</sup>, the target of 40%<sup>132</sup> of total rural parcels adjudicated was reduced to 10%. Despite this reduction, the implementation progress of the component was classified as satisfactory during the entire life of the project. As a consequence of this change, approximately 30% of the resources of the component<sup>133</sup> were reassigned to a new component<sup>134</sup>, whose objective was to “*strengthen the Executing Agency to accommodate the improvements brought about by the Project.*” Additionally, the project contemplated<sup>135</sup> to “*have an impact on low income rural people by giving them documentation clearly defining their rights to land*”, especially in the southern of Belize, where the largest portion of poor households of the country are located. However, due to the reduction of the quantitative benchmark, it is not expected that the project will have a significant impact on poverty reduction. Finally, a striking feature of this project is the zero disbursement and eventual folding into other areas of the project’s rural parcels’ adjudication (40% expected). This correlates with the contentious issue of Mayan rural land rights, an issue that was never raised either in the Loan Document or in the Bank’s PPMRs<sup>136</sup>.
- 5.39 The Land Management Project (BL0017) is a US \$7 million loan approved in June 2001 which aims at improving the efficiency and sustainability of the use of land (see Table 5.3)<sup>137</sup>. This goal (see Table 5.4) is to be achieved supported mainly by the following indicators: “(i) *Savings in the provision of land administration services compared to the Land Administration Project, (ii) Increase in the number and reductions in the average time for processing land-related transactions, (iii) Ratio of total lease approvals, lease certificates and property titles on annual basis by district and (iv) Number of villages and towns participating in specific LMP activities*”. There are no baselines for these indicators except for the cost of surveying<sup>138</sup>. There are no references for the number and time of transactions, ratio of lease approvals, lease certificates and property titles. Currently, the latest PPMR establishes that “*no serious implementation problems are foreseen at this time and prospects are good for the assumptions to hold throughout the execution period.*” However, there are three risks identified in the loan proposal that

could affect it: (i) traditional form of land tenure in rural areas of Toledo (ii) conflicts over land policy and (iii) border discussions. The most important risk associated to the project is the lack of a legal framework for traditional forms of land tenure in southern Belize.

- 5.40 The Modernization of Agricultural Health Project (BL0003), approved in 1999, aims at enhancing *“the competitiveness of Belize's agricultural products, especially in foreign markets...improving the quality and financial viability of animal and plant health services...reducing losses from disease and ensure the safety and quality of agricultural products for domestic and foreign consumers with increased participation of the private sector.”* The logical framework adds to the main goal of the project the need for Belize's agricultural and fishery products to meet WTO health standards. This goal is somewhat unclear as WTO guidelines states that *“SPS Agreement encourages Governments to establish national SPS measures consistent with international standards, guidelines and recommendations. This process is often referred to as "harmonization", but the WTO itself does not and will not develop such standards.”*
- 5.41 The project did not establish outcome indicators, baselines or targets. This was acknowledged in the loan document as a setback in attempting to establish the potential benefits of the Bank's intervention since *“the lack of agricultural statistics precluded a probability analysis that normally would be associated with the causal effects of health measures.”* Alternatively, the project proposed field samplings to establish a baseline for animal and plant diseases and pests to *“know the phytosanitary and sanitary situation of Belize by 2001.”* However, none of the loan components of the project included costs or tasks associated with the collection and management of such information.
- 5.42 The project started at a slow pace, attributed to the institutional capacity constraints of the Executing Unit and to problems in the project design. These were partially solved by hiring a new Director for the Executing Unit and establishing a more realistic scheduling for project activities. However, the lack of interest of some agricultural associations impede *“the project to comply with the clause requiring the formation of the Soils Laboratory Users Group...”* forcing the Bank to cancel this component. In addition, some control posts have been indefinitely postponed due to the absence of definitive border crossings. While the latest PPMR rated the project as probable of achieving its development objectives, issues like budgetary constraints, lack of a central reporting system, higher costs of labs services and personnel transfers continue to threaten the sustainability of the project<sup>139</sup>.

## **E. Tourism**

- 5.43 The Bank's intent in this development area aimed at stimulating tourism and environmental protection (see Table 5.4). One project and ten TCs supported this area over the nineties.

**Table 5.5: Tourism Matrix**

Strategy Intent	Indicators	Baseline	Target	Progress towards goals
Stimulate tourism and environmental protection through improved quality of services, access to tourist sites and fostering of environmental knowledge, awareness and protection.	N/A	N/A	N/A	N/A

Loans accompanying the strategic goals

Project Intent (BL-0012)	Indicators	Baseline	Target	Progress towards goals
To increase 1) employment opportunities 2) foreign exchange earnings and 3) governmental revenues from tourism in a manner that is environmentally and archeologically sustainable.	YES <sup>a</sup>	YES <sup>b</sup>	YES <sup>c</sup>	YES <sup>d</sup>
Purpose	Indicators	Baseline	Target	Progress towards goals
Increase tourist arrivals to benefit the public and private sector organizations and communities involved in tourism	YES <sup>e</sup>	YES <sup>f</sup>	YES <sup>g</sup>	YES <sup>h</sup>

(Table 5.5 cont) a.- 1) Hotel industry employment grows at an annual average rate of at least 5%. 2) Foreign exchange for tourist expenditures grows at an annual average rate of 6%. 3) GOB revenue increases due to: 4% increase from occupancy tax; 10% from cruise ship fees; and 10% increase from park entrance fees. b.- 1)1992-98 rate was 5.9% 2) As percentage of GDP, grew from 20.6% in 1993 to 23.5% in 1997.3) NA. c.- 1) Sum of 5% annual increase for 4 years 2) Sum of 6% annual increase for 4 years 3) NA d.- Tourist expenditure has grown at a rate of 4.6% between 1999 and 2002. e. - BL tourist visitors and cruise ship passengers annual rate of growth is at least 8%. Visitors annual rate of growth to Maya sites is 14% over 2002-10 (see par.4.5: 15% during execution period). f.- 1992-98 Tourist visitors increased on average 8% annually. For Maya Sites NA. g.- Sum of 14% annual increase 2002-10 to Maya sites. h -13.3% increase of overnight tourist arrivals from 176,000 in 1998 to 199,521 in 2002. Hotel occupancy rate has gone up from under 30% in 1998 to over 40% in 2002. In 1998 Belize had only 14,183 cruise passengers compared to 319,690 in 2002. Visitor arrivals increased 2.6% between 1999 and 2002.

- 5.44 During the first programming period, the Bank funded three TC operations in support of strategic planning and marketing. The most important of these operations has been the support provided for developing the National Tourism Strategy Plan. In 1996, the Government requested assistance to carry out an assessment of the sector and prepare a long-term strategy and plan. Funded with Canadian Technical Cooperation Funds, the strategy document, prepared in close consultation with public and private industry stakeholders, was adopted and implemented by the new administration elected in August of 1998.
- 5.45 During the 1999 programming period, the Bank supported the sector through one loan and seven TC operations, six of which were directly related to the Tourism Development Project (BL-0012). A US \$11 million dollar loan was designed within the framework of the National Tourism Strategy Plan that recommended, as part of the enhancement and diversification of Belize's tourism products, the development and conservation of major Maya archaeological sites.

- 5.46 The stated goal was to increase employment opportunities, foreign exchange earnings, and Government revenues from tourism in a manner that is environmentally and archeologically sustainable (see Table 5.5). The purpose was to increase tourist arrivals to benefit the public and private sector organizations and communities involved in tourism. Project components included: Development and conservation of major Mayan archeological sites (US\$ 4.8M), Caracol access road improvement (US\$ 2.4M), Archeology development plan (US\$ 200,000), environmental sanitation on Cay Caulker, feasibility study (US\$ 195,250, ATN/JC-6866-BL), community development for setting small business, training for hospitality, etc (US\$ 200,000), human resource development for new staff for the Department of Archaeology (US\$ 200,000) and tourism education and training (US\$ 1M). Project components are progressing as scheduled, except for the construction of the Caracol access road and the implementation of community and micro enterprise development projects. The project established indicators, baselines and targets at the outcome level (see Table 5.5). The Government is collecting information on tourist expenditure, hotel revenues, overnight stays and tourist arrivals. In absolute terms, these figures show a positive trend within the sector. The extent to which these positive trends are associated with the Bank financing of BL-0012 is an empirical issue that would need to be demonstrated by the end of project execution. Regarding the other two indicators: employment opportunities and government revenues by source (hotel occupancy tax; cruise ship fees and park fees), there is no information available.
- 5.47 The Toledo Eco-tourism project (ATN/SU-7608-BL), using resources from the Swiss Technical Cooperation Trust Fund, is the only TC operation that is unrelated to BL0012. This project finances the reconstruction of a guesthouse program of the Toledo Eco-Tourism Association)<sup>140</sup>. This US\$ 150,000 operation is consistent with the Bank's and the Government's concern to promote culturally and environmentally responsible tourism. The project is fully disbursed; lodges were built and fully furnished in 9 of the 10 participating villages<sup>141</sup>. Although it is too early to assess the economic and social impact of this project, concerns have been raised about the sustainability of the investment, given that for most of the villagers farming is the primary income earning activity; questions of maintenance of the facilities are not being adequately addressed<sup>142</sup>.

## **F. Enabling Environment**

- 5.48 The Bank's intervention in this area aimed at promoting an enabling environment for the productive sectors of the economy (see Table 5.6). No loans accompanied this strategic goal over the nineties. Instead, the Bank utilized mostly MIF projects to support the developmental intent in this area.

**Table 5.6: Enabling Environment Matrix**

Strategy Intent	Indicators	Baseline	Target	Progress towards goals
Promote an enabling environment for the productive sectors that emphasizes efficiency and supports the ability of the economy to adjust to changing world market conditions.	N/A	N/A	N/A	N/A

Loans accompanying the strategic goals: None

- 5.49 In 1999 the Bank financed a program to support the modernization of the port sector (AT-288). The US \$1.05 million dollar MIF operation aimed at assisting the *“Government of Belize in the reform of the port sector, in order to increase its efficiency via liberalization, private participation in the sector and adequate regulation.”* The specific objectives included: a) separating the regulatory and operational responsibilities, restructuring the Belize Port Authority as a regulatory agency and establishing an adequate regulatory framework; b) increasing the private sector involvement in port operation and investment; c) enacting free access and liberalizing the conditions under which the port sector operates, resulting in the removal of existing monopoly rents affecting tariffs, labor and third party traffic and allowing the best use of all available capacity.
- 5.50 The MIF execution was marked by differences between the Bank and the Government regarding available strategies for reform and the degree of competitiveness in the awarding process for the privatization of the port. These differences led to the cancellation of 95% of the funds. The Government completed the public offering of the shares for the Port of Belize in 2000. After processing the applications, Belize Ports Ltd, a fully Belizean owned company, bought the majority of shares and took control as the strategic investor.
- 5.51 The Youth Training Program (MIF/AT-125), a four-year program approved in 1997 for US\$792,000 is designed to help young women and men (16 to 29 years of age) develop skills to enter the labor market as employees or entrepreneurs. The project responds to a request of the Government to help ameliorate social and economic problems derived from high youth unemployment levels and as a mechanism to curb the increasing prevalence of juvenile delinquency (Government of Belize 1996-2000 National Strategy Plan). However, as Government priorities and project leadership changed with the change in Government, this project suffered considerable implementation delays that led the Bank to its cancellation in October of 2001.
- 5.52 The Tourism Training Project (MIF/AT343), approved in 2000, was a component of the Bank financed Tourism Development Loan. This project seeks to improve the competitiveness of the tourism industry by developing by the skill and abilities of the hospitality and tourism workforce. This project is under execution and scheduled for completion in 2004. A mid-term evaluation reports that the project is progressing satisfactorily with a high probability for achieving its development objectives.

### **Results Obtained and Lessons Learned: a Summary Statement by RE2/Bank**

Belize has benefited from the Bank's role in stimulating cofinancing arrangements with other bilateral and multilateral development agencies. The Bank's efforts in securing concessional resources have reduced counterpart requirements, an aspect of relevance under current fiscal restrictions and the indebtedness situation of the country. Efforts should continue to identify additional cofinancing, not only to meet counterpart requirements for future operations but especially as one of the best avenues to coordinate actions and avoid overlapping of activities. Furthermore, cofinancing arrangements may a new dialogue and perspectives on other important issues as well as facilitate the identification of areas for future collaboration.

There is a strong correlation between a smooth project implementation and the timely availability of the project execution unit's staff, especially when the core staff participates in project design. It should be noted, however, that the benefits of knowledge transfer through IDB-financed procurement are limited to the project executing unit's staff, many of whom are temporary, and the experience will be lost to the public sector on completion of the projects. Future operations could benefit from the establishment of a centralized procurement body that oversees all GoB's contracting based on rigorous procurement norms, thereby enhancing transparency, the accumulation of institutional memory on these issues and economies of scale.

Regarding data collection for performance indicators, many executing agencies are not yet fully sensitized to the need to put additional resources from their own budgets for data collection. Especially where counterpart resources are limited, they are unable to give the necessary priority to this important issue. The timely collection and use of data to measure performance will depend to a great extent if resources are included in the design of future projects.

While some projects achieve their objectives in keeping with relevant performance indicators, factors related to institutional and financial sustainability often develop outside the scope of the project and after the execution period, which reduce the longer term impact of the project. The Bank's dialogue with the GoB during the programming process should seek to address issues of sustainability in respect of operations completed in earlier project cycles (e.g., the Environmental Sustainability and Technical Assistance project (ESTAP), the Southern Highway and BAHA projects, etc.).

## **VI. CONCLUSIONS AND RECOMMENDATIONS**

The purpose of this section is to provide a summary of key findings and raising issues for the future arising from this evaluation. The observations established in previous chapters regarding the past lead to the following suggestions for the Bank's future engagement with Belize in terms of five evaluative criterion.

## I. Findings

In terms of relevance (i.e. did the program address the major development challenges faced by the country?), the Bank did not articulate, study, specify or identify the development needs and challenges of the country. In particular, the lack of ESW hindered the Bank's policy dialogue and capacity to engage in developmental issues with the country, limiting the program intent only to a discussion of possible projects with little or no strategic vision of the country's macroeconomic perspectives or developmental needs.

In terms of coherence (i.e. did the program integrate the full range of Bank instruments and coordinate Bank actions with those of other development actors?) this evaluation found little discussion in programming documents on ways to optimize the product/instrument mix, make a cost-effective portfolio-lending program, or even create alternative means of attaining specific objectives. Regarding technical cooperation, only 29% of the approved TCs (49% of the dollar value) were directly linked to a loan, the remaining 71% (51% of the dollar value) were not. Tourism was the sector with more TCs accompanying a project, followed by agriculture. In terms of donor coordination, OVE found that the Bank consistently pursued coordination with other development assistance donors and financiers, both at the programming intent and at the project level.

In terms of efficiency (i.e. did the Bank deliver its promised outputs in a timely and cost-effective fashion?), the findings are that Belize's program is significantly above Bank-wide figures in terms of disbursements and execution times. The Bank showed greater agility and flexibility in meeting the urgent financing needs during the reconstruction and rehabilitation of the country in the aftermath of Hurricane Keith. However, regarding cost-effectiveness, the discussions with Bank staff and Government officials, as well as the review of the performance issues established in the PPMRs, leads to the conclusion that the actual level of institutional strengthening support provided by the Bank is low and it is an issue that affects project implementation.

In terms of quality of services associated to the country program, the evaluation found, as in other country program evaluations, a systematic flaw in the Bank's monitoring and evaluation system in terms of verifiability and demonstrability of the development outcomes both at the programming and project levels. To a great extent, programming documents and projects do not include goals, baselines or indicators at the outcome level.

In terms of efficacy (i.e. did the program produce the intended development outcomes for the country?) In trying to establish its intended development outcomes, the program was not clear enough in defining its main stated goal: competitiveness. As a consequence, programming documents lack of a thorough analysis of the factors that would help or hinder reaching such a lofty goal. Moreover the lack of a conceptual definition on competitiveness in the programming documents may have weakened the Bank's intervention by making its intent less focused and effective.

## II. Recommendations

Given these findings the evaluation makes the following recommendations to be consider by Management in its next country strategy paper.

In terms of issues for the country:

- The next country strategy needs to address the issue of Belize's fiscal deficit cum debt and the Bank's role in it. In particular, it needs to address the magnitude of the current problem and how the Bank will not only avoid accentuating the problem but also contribute to its amelioration (e.g. increasing the efficiency of expenditure and/or enhancing revenue);
- Promoting the private sector with the perspective of loss of preferential trade agreements is critical. The Bank needs together with the government to design a strategy tailored to the specificities of Belize.
- The high incidence of youth unemployment and the difficulties in creating year-round jobs in the economy suggests the importance that the Bank and the country examines the feasibility of a program tackling the transition from formal education to labor market employment;

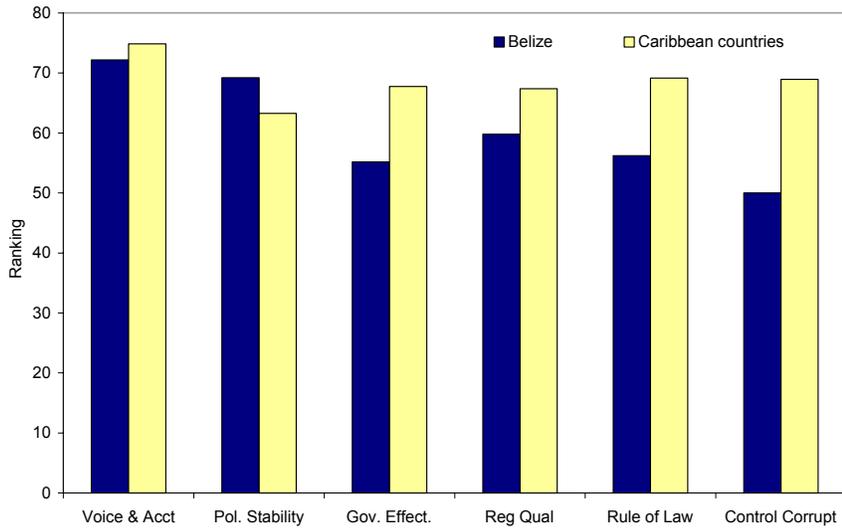
In terms of instrument use:

- The Bank needs to increase substantially the amount of ESW in the country not only to enhance the Bank's knowledge but also to provide input for policy discussions within the Belizean Government. The ESW agenda should be discussed and agreed with the Government and presented in the next strategy;
- Technical cooperation past pattern of generally stand-alone operations should in the future be intimately linked to areas of major activity (either through investment or policy based operations) and be focused in enhancing the institutional capacity surrounding such activities;

In terms of the Bank's own goals:

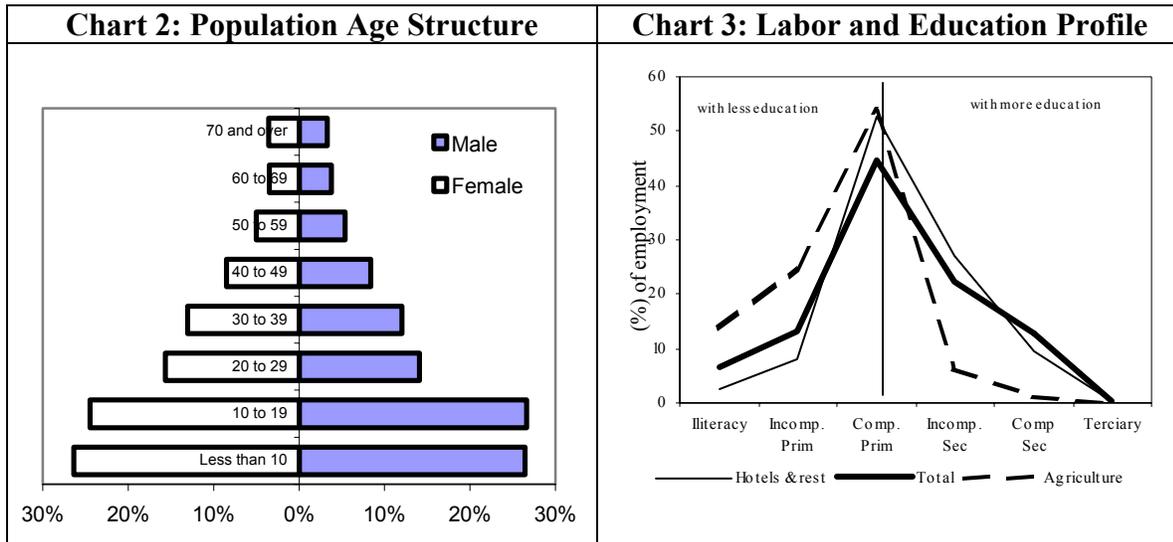
- The country strategy should define goals, baselines and indicators at the outcome level for each of the strategic goals and explicit the mechanism of collecting their values in the future. The same holds at the project level. The next strategy should include a plan for improving the evaluability of existing and future projects.
- The worrying low incidence of unqualified external auditor's reports suggests that the upcoming country strategy define specific targets within an action plan to reduce fiduciary risk realization.

**Chart 1: Kaufmann 2002 Governance Indicators:  
Belize Compared to Caribbean Countries\***



\*Excludes: Cuba, Puerto Rico, French Guyana and Haiti

Source: World Bank's Kaufmann Index



Source: Belize Household Surveys

<b>Table 1: Trade Agreements</b>				
<b>Trade Agreement</b>	<b>Date in Effect</b>	<b>Termination</b>	<b>Comments</b>	<b>Formal Objective</b>
Caribbean Common Market (CARICOM)	1973		Preferential market access	Strengthen historical ties, improve region standard of labor and living, foster efficient use of natural resources along with economic development and cooperative measures to enhance social, cultural and educational sectors of society.
Caribbean Basin Initiative or Caribbean Basin Economic Recovery Act CB12	1990	The CBERA of 1990 repeals the termination date on duty-free treatment defined under the original legislation	Preferential treatment started in 1984 (CBI) and signed into permanent law in 1990.	Products manufactured outside of the US that constitute that only US parts are eligible for duty-free access to US markets (excluding textile and petroleum products). Included in this duty-free treatment are orange juice, grapefruit juice, fresh oranges, grapefruit and tangerines. These products are “Fast-Track” items, meaning that their duty-free status can be removed if increased imports are proven to have substantial negative impact on the US domestic industry.
Cotonou Agreement	2000	2020	The agreement replaces the Lomé Convention. It is valid for a period of 20 years subject to revision every 5 years.	The major innovations of the new agreement between the European Union and the seventy-one ACP countries can be summarized as: enhancing the political dimension; explicitly addressing corruption; promoting participatory approaches; involving civil society in the reforms and policies to be supported by the EU; refocusing development policies on poverty reduction strategies; basing the allocation of funds not only on an assessment of each country’s needs but also of its policy performance; creating an investment facility to support the development of the private sector; rationalizing instruments and introducing a new system of rolling programming; allowing the community and the beneficiary country to adjust regularly their cooperation program; decentralizing administrative, and in some cases, financial responsibilities to local level with the aim of making cooperation more effective; improving the policy framework for trade and investment development and enhancing cooperation in all areas important to trade including new issues such as labor standards and the linkages between environment and trade.
Preferential Agreement Caribbean and Canada (CARIBCAN)	1986		Duty free access for certain commodities (banana, sugar, etc)	Facilitating trade, development assistance and industrial cooperation between Canada and the Commonwealth Caribbean Countries
Central-America Mexico	1996			Removal of most trade barriers; concessions were granted to Central American countries in regards to their debts with Mexico; Cooperative programs to foster technological growth and joint agricultural policies
Association of Caribbean States (ACS)	1995			To establish a free-trade zone by 1998. This treaty hopes to boost its own eligibility to join NAFTA

Source: Central Statistics Office (CSO), Belize

**Table 2: Composition of GDP by Activity**

TABLE A.1	1980-1984		1985-1989		1990-1994		1995-2001	
Average (%)	Structure	Growth	Structure	Growth	Structure	Growth	Structure	Growth
<b>I. PRIMARY ACTIVITIES</b>	<b>20.7</b>	<b>1.0</b>	<b>20.5</b>	<b>4.6</b>	<b>21.8</b>	<b>7.0</b>	<b>21.0</b>	<b>7.4</b>
1.1 Agriculture	15.4	1.1	15.1	3.3	16.3	6.4	15.7	6.0
1.2 Forestry & Logging	2.3	(1.3)	1.8	17.7	2.2	9.4	1.8	(6.8)
1.3 Fishing	2.8	3.4	3.3	3.7	3.0	8.3	3.2	21.2
1.4 Mining	0.2	7.9	0.2	19.9	0.2	13.7	0.3	5.6
<b>II. SECONDARY ACTIVITIES</b>	<b>28.4</b>	<b>(1.1)</b>	<b>28.8</b>	<b>6.5</b>	<b>28.2</b>	<b>5.4</b>	<b>28.0</b>	<b>4.1</b>
2.1 Manufacturing	21.5	(1.7)	21.9	4.1	21.8	5.5	21.9	4.2
2.2 Electricity & Water	1.3	6.1	1.4	7.7	1.6	9.5	1.7	1.4
2.3 Construction	5.5	0.6	5.6	13.8	4.8	4.7	4.4	5.0
<b>III. SERVICE</b>	<b>54.8</b>	<b>0.8</b>	<b>54.5</b>	<b>8.2</b>	<b>53.6</b>	<b>5.4</b>	<b>54.4</b>	<b>4.2</b>
3.1 Trade, Rests., Hotels	20.4	(5.9)	19.4	11.4	16.1	5.2	14.8	6.1
3.2 Transport & Communications	6.0	10.0	6.5	15.0	7.6	9.2	8.3	3.7
3.3 Finance & Insurance	5.3	(2.6)	5.4	8.7	4.9	4.8	4.8	5.2
3.4 Real Estate & Bus. Serv.	5.9	(0.1)	5.9	5.0	5.7	4.7	5.8	5.6
3.5 Public Administration	8.2	8.4	8.4	3.0	9.9	3.6	11.0	0.7
3.6 Comm. & Other Services	8.9	2.8	9.0	2.7	9.3	2.7	9.7	2.8
<b>IV. Imputed Bank Service</b>	<b>3.8</b>	<b>(2.6)</b>	<b>3.8</b>	<b>8.7</b>	<b>3.5</b>	<b>4.0</b>	<b>3.4</b>	<b>5.2</b>
Charges [deduct]	3.8	(2.6)	3.8	8.7	3.5	4.0	3.4	5.2
<b>Total</b>	<b>100.0</b>	<b>0.4</b>	<b>100.0</b>	<b>6.9</b>	<b>100.0</b>	<b>5.7</b>	<b>100.0</b>	<b>4.8</b>

OAS- Organization of American, SICE (Sistema de Información al Comercio Exterior- Foreign Trade Information System)

US\$/Kwh	Industrial	Commercial	Residential
Belize	\$ 0.32	\$ 0.37	\$ 0.31
CAC	\$ 0.09	\$ 0.11	\$ 0.09
LAC	\$ 0.08	\$ 0.10	\$ 0.10

Source: OLADE and BEL

Land category	Area km <sup>2</sup>	%	Recommended land use
1. High income potential	990	4	Agriculture
2. Good financial success	2,790	12	Agriculture
3. Success subject to skilled management	4,480	20	Forestry / Agriculture
4. Marginal	4,470	20	Forestry / Agriculture
5. Mostly steep land	10,000	44	Protection

Source: IICA 1995

**Table 5: Poverty and inequality in Latin-America and the Caribbean in 1999**

	Per capita GDP	Inequality		Poverty			Extreme poverty		
		Gini		Urban	Rural	Total	Urban	Rural	Total
Argentina	12,377	54.2	23.7	...	...	6.7	...	...	
<b>Belize</b>	<b>5,606</b>	<b>49.2</b>	<b>20.3</b>	<b>32.4</b>	<b>26.3</b>	<b>17.3</b>	<b>20.3</b>	<b>18.8</b>	
Bolivia	2,424	58.6	48.7	80.7	60.2	19.8	64.7	36.0	
Brazil	7,625	64.0	32.9	55.3	37.2	9.3	27.1	12.7	
Chile	9,417	55.9	20.1	23.8	20.7	5.3	8.3	5.8	
Colombia	6,248	57.2	50.6	61.8	53.5	21.9	34.6	25.1	
Costa Rica	8,650	47.3	18.1	22.3	20.1	5.4	9.8	7.5	
Ecuador /3	3,203	52.3	42.0	76.6	55.3	8.7	38.2	20.0	
El Salvador	4,497	51.8	38.7	65.1	52.9	13.0	34.3	24.4	
Guatemala /2	3,821	58.2	46.0	70.0	60.4	17.2	45.2	34.0	
Honduras	2,453	56.4	71.7	86.3	79.5	42.9	68.0	56.4	
Jamaica /4	3,639	40.5	10.0	19.1	15.0	1.6	2.5	2.2	
Mexico /1	9,023	54.2	32.3	54.7	38.1	6.6	28.5	12.3	
Nicaragua /2	2,366	58.4	57.0	77.0	64.2	33.9	57.5	42.4	
Panama	6,000	55.7	25.8	41.5	32.5	8.1	17.2	12.0	
Paraguay	4,426	56.5	49.0	73.9	60.1	17.4	52.8	33.2	
Peru	4,799	54.5	36.1	72.5	46.1	9.3	47.3	19.8	
Dominican Republic /1	6,033	51.7	35.6	39.4	37.0	11.8	17.9	14.0	
Uruguay	9,035	44.0	9.4	...	...	1.8	...	...	
Venezuela	5,794	49.8	33.8	51.0	36.0	19.8	30.7	21.2	

Source: CEPAL, Panorama Social de América Latina

1/ Year 2000

2/ Year 1998

3/ Siise

4/ Based on expenditure

<b>Table 6: Growth Of Central Government Expenditures, 1989-2002 a</b>							<i>Real % change p.a</i>	<i>Real % change p.a</i>
	1989/1990		1994/1995		2001/2002		89/90 – 94/95	94/95 – 2001/2002
	(BZ\$ min.)	%	(BZ\$ min.)	%	(BZ\$ min.)	%		
<b>Current Expenditure</b>	<b>135.9</b>	<b>61.5</b>	<b>219.5</b>	<b>66.8</b>	<b>309.5</b>	<b>68.4</b>	<b>10.1</b>	<b>4.4</b>
Wages & salaries	71.2	32.2	120.6	36.7	158.3	51.1	11.1	3.1
Pensions	7.5	3.4	13.3	4.0	20.2	6.5	12.2	5.8
Goods & services	31.2	14.1	42.2	12.8	56.4	18.2	60.2	3.4
Interest payments	11.9	5.4	20.0	6.1	46.9	15.2	10.9	16.7
Subsidies & current transfers	14.1	6.4	23.4	7.1	27.5	8.9	10.6	1.3
<b>Capital expenditure</b>	<b>85.2</b>	<b>38.5</b>	<b>109.2</b>	<b>33.2</b>	<b>143.0</b>	<b>31.6</b>	<b>5.1</b>	<b>3</b>
<b>Total expenditure</b>	<b>221.1</b>	<b>100.0</b>	<b>328.6</b>	<b>100.0</b>	<b>452.5</b>	<b>100.0</b>	<b>8.2</b>	<b>3.9</b>

Source: World Bank, Belize Fiscal Policy for Stability and Growth, Public Expenditure Revenue, May 1996 and Central Bank of Belize.

<b>Table 7: Public Spending (% of GDP)</b>	91	92	93	94	95	96	97	98	99
Social programs	n.a	10.9	14.3	n.a	14.7	10.2	11.8	12.7	12.6
Health	2.2	2.1	3.2	4.2	2.7	2.0	2.2	2.2	2.3
Education	4.8	5.3	5.6	5.9	5.3	5	5.6	6.0	6.2

Source: World Development Indicators, National Human Development Report and CSO

<b>Table 8</b>	1997	1998	1999	2000	2001
<b>Tax Revenues</b>					
Income Tax					
Personal Tax	9%	7%	4%	5%	6%
Business Income/Business Tax	8%	13%	14%	16%	15%
Arrears	2%	2%	1%	1%	0%
Taxes on Property	1%	1%	1%	1%	1%
Taxes on Goods and services					
Value Added Tax	26%	24%	-1%	0%	0%
Sales Tax	0%	0%	20%	24%	23%
Excise Duty	6%	6%	2%	2%	2%
Other**	4%	5%	5%	6%	6%
Taxes on International Transactions					
Import Duty	18%	17%	17%	19%	17%
Revenue Replacement Duty	13%	13%	12%	12%	16%
Environment Tax	0%	0%	0%	0%	1%
Other***	0%	0%	3%	2%	2%
Sub-total	87%	87%	77%	88%	89%
<b>Non-Tax revenues</b>					
Licenses	2%	2%	3%	2%	2%
Rent and Royalties	1%	1%	2%	2%	1%
Ministries	4%	4%	5%	5%	5%
Transfers	2%	2%	5%	1%	1%
Other****	4%	4%	9%	2%	2%
Sub-total	13%	13%	23%	12%	11%
<b>Grand Total</b>	100%	100%	100%	100%	100%

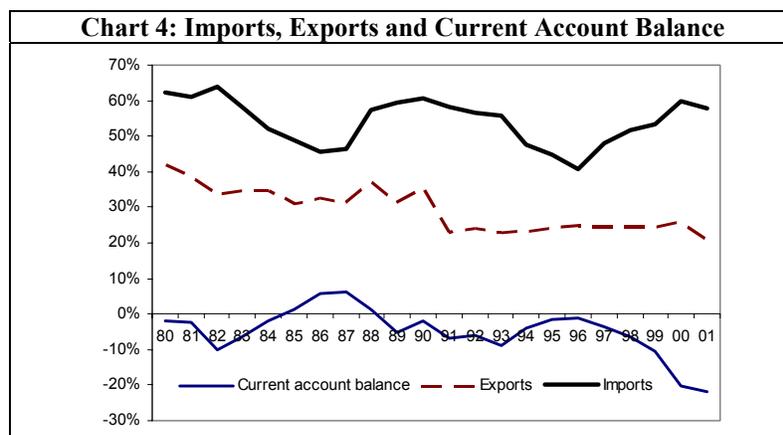
Source: Belize Fiscal Policy, IADB 2001

<b>Total Public Debt</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
<b>External debt of the public sector</b>	<b>260.7</b>	<b>252.5</b>	<b>426.7</b>	<b>485.9</b>	<b>550.9</b>
	<i>-38.5*</i>	<i>-34.7</i>	<i>-51.9</i>	<i>-57</i>	<i>-61.8</i>
Multilateral	117.3	96	111.2	123	143.8
Bilateral	87.9	100.1	106	103.1	123.6
Commercial banks/bonds	47.4	49.5	188	242.7	272.2
Suppliers' credit	8.1	6.9	21.5	17.1	11.3
<b>Publicly guaranteed debt</b>	<b>0</b>	<b>65.6</b>	<b>103.7</b>	<b>158.5</b>	<b>192.6</b>
	<i>0</i>	<i>-9</i>	<i>-12.6</i>	<i>-18.6</i>	<i>-21.6</i>
Securitization (DFC)	0	33.6	73.2	110.8	136.6
	<i>0</i>	<i>-4.6</i>	<i>-8.9</i>	<i>-13</i>	<i>-15.3</i>
Privatized public enterprises	0	32	30.5	47.7	56
	<i>0</i>	<i>-4.4</i>	<i>-3.7</i>	<i>-5.6</i>	<i>-6.3</i>
<b>Total external debt</b>	<b>260.7</b>	<b>318.1</b>	<b>530.4</b>	<b>644.4</b>	<b>743.5</b>
	<i>-38.5</i>	<i>-43.7</i>	<i>-64.6</i>	<i>-75.6</i>	<i>-83.4</i>
<b>Total external debt - adjusted <sup>a</sup></b>	<b>246.5</b>	<b>272.1</b>	<b>447.1</b>	<b>528.3</b>	<b>642.8</b>
	<i>-36.4</i>	<i>-37.3</i>	<i>-54.4</i>	<i>-61.9</i>	<i>-72.1</i>
<b>Internal debt</b>	<b>124.8</b>	<b>128.5</b>	<b>123.7</b>	<b>139.6</b>	<b>126.2</b>
	<i>-18.5</i>	<i>-17.6</i>	<i>-15.1</i>	<i>-16.4</i>	<i>-14.2</i>
<b>Total public debt</b>	<b>385.5</b>	<b>446.6</b>	<b>654.1</b>	<b>784</b>	<b>869.7</b>
	<i>-57</i>	<i>-61.3</i>	<i>-79.6</i>	<i>-91.9</i>	<i>-97.6</i>
<b>Total public debt - adjusted <sup>a</sup></b>	<b>371.3</b>	<b>400.6</b>	<b>570.8</b>	<b>667.9</b>	<b>769</b>
	<i>-54.9</i>	<i>-55</i>	<i>-69.5</i>	<i>-78.3</i>	<i>-86.3</i>

Source: Belize Fiscal Policy and Public Debt Sustainability Agosin M. and Nazal P. IADB 2003

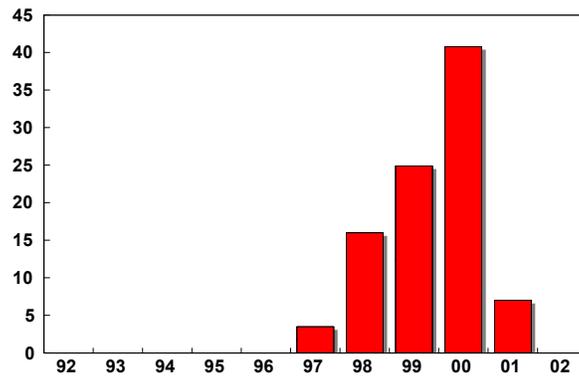
<sup>a</sup>: Excludes sovereign guarantees for borrowing by privatized firms, and central bank debt (which are amply covered by official foreign exchange reserves)

\*: In millions of dollars. Figures in italics represent percentage of GDP.



Source: IMF, International Financial Statistics 2003

**Chart 5: Project Approvals by Year (millions of USD)**



Source: OVE using IDB Data Warehouse

**Table 10: Country Strategy- Belize 1993**

Strategic Area	Main Goal (Specific Objectives)	Strategy	Strategy Components	Indicators	Expected Result's from Bank's Actions	Projects
Increase international competitiveness levels of productivity and export capability.	“Provide physical and institutional infrastructure and complementary technical assistance to stimulate agricultural export production and diversification, and tourism development”	a) <u>Transportation/ Infrastructure:</u> <ul style="list-style-type: none"> <li>▪ Relieve infrastructural bottlenecks in the southern districts to facilitate access to agricultural areas.</li> <li>▪ Support agro-industry by reducing production /transportation costs and facilitating the provision of services.</li> <li>▪ Facilitate integration with other Central American countries.</li> </ul> Provide reliable access to social services and tourism inland.	<ul style="list-style-type: none"> <li>▪ Bank's support the Rehabilitation of the Southern Highway.</li> </ul>	N/A	N/A	Bank supports the Rehabilitation of the Southern Highway. (Profile 1 has been approved and the project is to be submitted for Board Approval in the 4th quarter of 1994)
		b) <u>Agriculture/Agro-industry:</u> <ul style="list-style-type: none"> <li>▪ “Reduce vulnerability to world price movements and/or preferential markets of the country's top foreign exchange earnings sector by crop and market diversification, focusing on increasing value added to agricultural products.”</li> <li>▪ “Improve income generating activities ... by targeting assistance to the small farmers in extension and credit services.”</li> </ul>	<ul style="list-style-type: none"> <li>▪ Enhance ability to identify new markets and research for the introduction of new crops.</li> <li>▪ Stabilize and expand activities under the Belize Agribusiness Company.</li> <li>▪ Develop a framework for the integrated development of the Toledo District.</li> <li>▪ Support technical assistance for the Ministry of Agriculture.</li> </ul>	N/A	N/A	Support to BABCO is proposed through Small Projects Program for 1994

	<p>“Improve labor productivity through investments in human capital in the form of a) vocational and technical education for increased export competitiveness and b) secondary education to provide the needed flexibility of its labor force for long term growth and equitable home distribution, and c) improved health and nutrition.”</p>	<p>a) <u>Education and training:</u></p> <ul style="list-style-type: none"> <li>▪ “Increase labor productivity and flexibility...improve technical skills in both men and women in areas related to export competitiveness”</li> </ul> <p>Reduce the divergence between educated and uneducated individuals.</p>	<ul style="list-style-type: none"> <li>▪ Universal secondary education</li> <li>▪ National post primary education system.</li> <li>▪ Revision of the secondary school curriculum.</li> <li>▪ Improve teaching guides</li> <li>▪ Vocational and technical education (VTE)</li> <li>▪ Agricultural training</li> </ul>	<p>N/A</p>	<p>N/A</p>	<p>Diagnosis, physical facilities, training and pilot distance education schemes for the national post primary education system. Technical assistance, support materials, establishment of testing procedures.</p>
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Strategic Area	Main Goal (Specific Objectives)	Strategy	Strategy Components	Indicators	Expected Result's from Bank's Actions	Projects
Increase international competitiveness levels of productivity and export capability.		b) <u>Health</u> : Bring health indicators to levels compatible to the socioeconomic status of the country reducing the incidence of preventable diseases among the more vulnerable groups of the population – women and children.	<ul style="list-style-type: none"> <li>▪ Universal basic health care to provide a basic package (preventive as curative, targeting the low income population)</li> <li>▪ “Development of a basic cadre of human resources...”</li> <li>▪ Selected and targeted health programs to reduce infant mortality, malnutrition and incidence of communicable diseases through family and health education.</li> <li>▪ “Alternative financing to health care through development of mandatory health care insurance and provision of health services in combined public and private outlets.”</li> </ul>	N/A	N/A	Technical cooperation to support studies on health care financing. Technical assistance. Prefeasibility studies.

NOTE #1: Among the priority sectors that the bank has identified are “targeted micro enterprise operations which fall within, or are complementary to, proposed Bank activity in each of the priority sectors.” (p. 29)

NOTE #2: “The Bank’s strategy introduces several areas which merit technical assistance in the form of diagnostics...In particular, environment and eco-tourism are areas which are fully consistent with the general policy statement as well as the Government’s policies and priorities...”

**Table 11: Country Strategy- Belize 1999**

Strategic Area	Main Goal (Specific Objectives)	Strategy	Strategy Components	Indicators	Expected Result's from Bank's Actions	Projects
<p>Prepare the economy for globalization. Promote adjustments in the productive structure of the economy to compensate for the loss of income and employment as preferential trading arrangements are phased out.</p>	<p>Enabling Environment</p>	<p>“Promote an enabling environment for the productive sectors that emphasizes efficiency and supports the ability of the economy to adjust to changing world markets conditions. Complementary operations in vocational education and employment training will enhance the supply of skilled labor to meet the needs of the changing economy.”</p>	<ul style="list-style-type: none"> <li>▪ Promote investments and exports.</li> <li>▪ Trade reform program and regional integration.</li> <li>▪ Strengthen in the financial system.</li> <li>▪ Reduce the costs of doing business in Belize.</li> <li>▪ Support public sector reform and modernization.</li> </ul>	<p>N/A</p>	<p>N/A</p>	<ul style="list-style-type: none"> <li>▪ Enabling Environment Project (BI-0013) initial discussions.</li> <li>▪ Technical assistance. MIF project to assist in privatization of the seaport.</li> </ul>
	<p>Agriculture and Agribusiness</p>	<p>“Promote agriculture and agribusiness development by stressing private sector led export diversification, improved productivity and policy support on trade matters.”</p>	<ul style="list-style-type: none"> <li>▪ Increase the efficiency of traditional export crops.</li> <li>▪ Identify markets for non-traditional products. Market led diversification of crops.</li> <li>▪ Strengthen the Ministry of Agriculture so it is able to support agro-business development.</li> </ul>	<p>N/A</p>	<p>N/A</p>	<p><u>Current:</u></p> <ul style="list-style-type: none"> <li>▪ MIF – Trade Promotion and Business Development.</li> <li>▪ Land Administration project.</li> <li>▪ Animal and plant health services.</li> <li>▪ Two small projects: BEST &amp; NDFB</li> </ul> <p><u>Proposed:</u></p> <ul style="list-style-type: none"> <li>▪ Modernization of Agricultural Health project. (BL-0003)</li> <li>▪ Follow up the previous projects.</li> <li>▪ Technical Assistance.</li> <li>▪ Forestry/agroforestry project.</li> <li>▪ Solid waste Management Project</li> </ul>
	<p>Tourism and the Environment</p>	<p>“Stimulate tourism and environmental protection through improved quality of services, access to tourist sites and by fostering environmental knowledge, awareness and protection.”</p>	<ul style="list-style-type: none"> <li>▪ Improve the quality of services.</li> <li>▪ Enable the access to tourist sites.</li> <li>▪ Foster environmental knowledge, awareness and protection.</li> </ul>	<p>N/A</p>	<p>N/A</p>	<p><u>Current:</u></p> <ul style="list-style-type: none"> <li>▪ Solid waste management pilot project.</li> <li>▪ Environmental and Social technical Assistance Project.</li> </ul> <p><u>Proposed:</u></p> <ul style="list-style-type: none"> <li>▪ Tourism Development Project (BL-0012) Profile II approved.</li> <li>▪ Two Technical Cooperations (TC's).</li> </ul>

Strategic Area	Main Goal (Specific Objectives)	Strategy	Strategy Components	Indicators	Expected Result's from Bank's Actions	Projects
Prepare the economy for globalization. Promote the productive structure.	Social Sectors	Enhance Government's ability to provide quality social services on a sustainable basis by promoting reforms in the health sector, fostering innovations in the financing and delivery of reproductive health services, and enhancing community participation in social development at all levels, particularly among women."	<ul style="list-style-type: none"> <li>▪ Promoting reforms in the health sector.</li> <li>▪ Foster innovations in the financing and delivery of reproductive health services.</li> <li>▪ Enhance community participation in social development.</li> <li>▪ Enhance the participation of women.</li> <li>▪ Support the non-formal secondary education.</li> </ul>	N/A	N/A	<u>Current:</u> <ul style="list-style-type: none"> <li>▪ Health Policy Reform technical cooperation.</li> <li>▪ Youth training project funded by MIF.</li> <li>▪ Assessment of opportunities for Women's Leadership.</li> </ul> <u>Proposed:</u> <ul style="list-style-type: none"> <li>▪ Complete the design of the Health Sector Reform Project.</li> <li>▪ Secondary Education Project, co-financed with the W.B.</li> </ul>
	Regional Development	Promote sustainable regional development of southern Belize, through support of the Southern Region Development Plan being prepared under the ESTAP project.	<ul style="list-style-type: none"> <li>▪ Prepare a Southern Region Development Plan.</li> <li>▪ "Implementation Strategy for land use and management of the environment and social aspects of development of the southern region."</li> </ul>	N/A	N/A	<u>Proposed:</u> <ul style="list-style-type: none"> <li>▪ Southern region Development Plan.</li> </ul>

NOTE: "While not a permanent feature of the Bank's strategy, the Bank is prepared to help Belize respond to natural disasters and assist the Government in the area of natural disaster management."

There are two proposed actions: a Technical Cooperation and a Hurricane Reconstruction and Disaster Preparedness project (BL-0015).



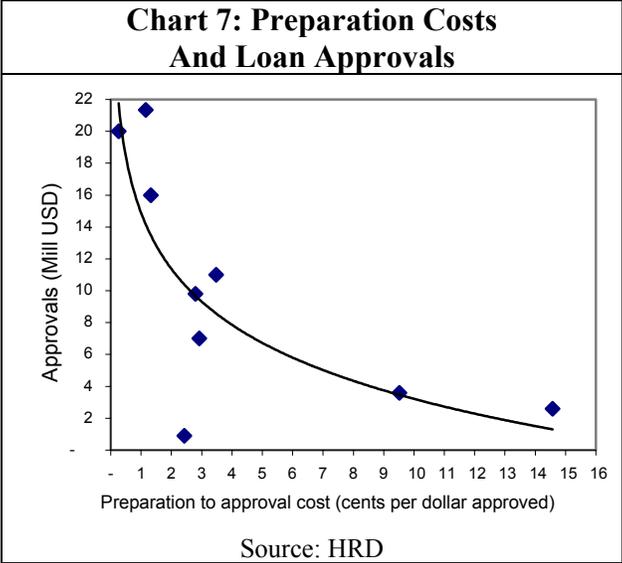
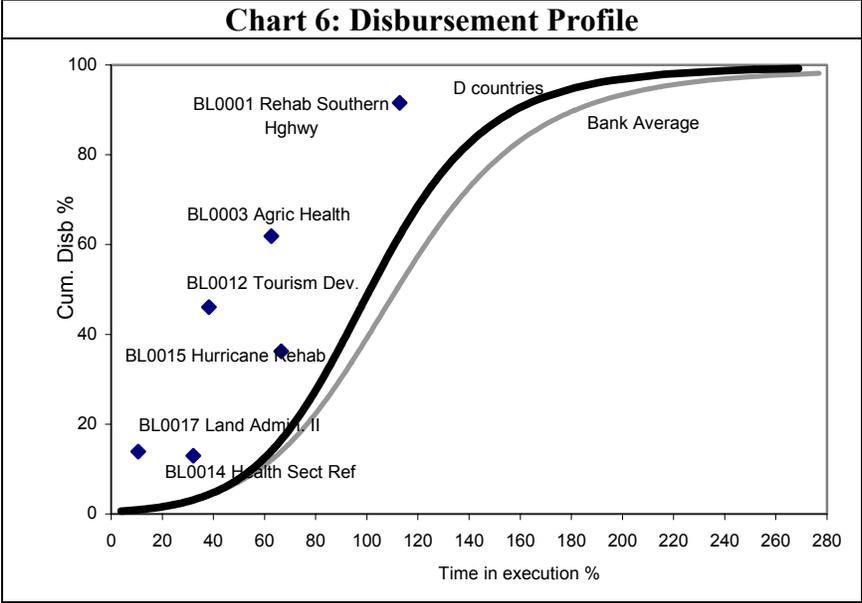
<b>Table 13: Technical Assistance with Approval- Amounts of 150,000 and Above</b>					
<b>TC_NUMBER</b>	<b>TCID</b>	<b>ENGLISH_NAME</b>	<b>SECT</b>	<b>APPR_YR</b>	<b>APPR_USD</b>
ATN/CP-5451-BL	TC9602203	Tourism Development Plan	TU-CRE	1996	248,800
ATN/DC-5610-BL	TC9509128	Land Administration Project	OT-MUL	1997	350,000
ATN/JC-6866-BL	TC9903006	Feasibility Study: Potable & Wastewater	OS	2000	195,250
ATN/JF-5430-BL	TC9601370	Solid Waste Management	PA	1996	566,720
ATN/SF-4686-BL	TC9403099	Support Policy Planning Unit M. Health	SA	1994	1,800,000
ATN/SF-5538-BL	TC9704447	Action Plan C and D Countries	OT-MUL	1997	240,415

Source: IDB Data Warehouse

<b>Table 14: MIF Approvals</b>				
<b>TC_NUMBER</b>	<b>ENGLISH_NAME</b>	<b>SECTOR</b>	<b>APPR_YEAR</b>	<b>APPR_USEQ</b>
ATN/ME-5443-BL	Trade Promotion and Business Development	AG-RIE	1996	1,146,786
ATN/MH-5590-BL	Youth Training Program	OT	1997	792,000
ATN/MT-6805-BL	Support for Health Services Acquisition	SA	1999	771,650
ATN/MT-6670-BL	Port Sector Modernization	TR	1999	1,050,000
ATN/MH-7092-BL	Training Eco tourism Program	TU	2000	700,000
ATN/MT-8047-BL	Capacity Building for Trade and Investment	RM	2002	490,000

Source: IDB Data Warehouse

<b>Table 15: The Bank's Economic Sector Work</b>	
<b>Name</b>	<b>Description</b>
Tourism Strategy Plan	Tourism Strategy Plan
Marketing and Competitiveness	Marketing and Competitiveness
Public Expenditure Management	Belize's sustainability of its debt
Trade Negotiation and Regulation	The Region produced a document which was intended to make an evaluation of the policy framework and institutional capacities of Belize in the areas of export promotion and investment attraction
Debt Management Note	Analyze the country's current fiscal and external situations, placing particular emphasis on structural issues, and to assess the sustainability of the country's fiscal and external positions
BL: Fiscal Institutional assessment	Assessment of the fiscal accounts and its bearing on macroeconomic policy design
Financial Sector Note	Identify the financial sector structure, institutional setting, and relevant issues to assist in the development of capital markets and private sector access to credit.
Economic Assessment Report Belize	Evaluation of policies and impact of the country's economic and social development for discussion with high-level officials to promote policy strategies and dialogue between the country and the IDB



**Table 16: List of Performance Issues of Projects in Execution**

Project	Year	P1	P2	P3	P4	P5	P6	P7	P8	P9	P10
BL0001	2002	X								X	
	2003	X								X	
BL0003	2000		X					X			
	2001		X					X			
BL0014	2002		X	X	X	X			X		
	2003		X		X	X					
BL0015	2001		X								
	2002		X			X					X
	2003				X	X	X				X
BL0017	2003	X									

P1.- Counterpart funding shortfall; P2.- Executing agency inst capacity; P3.- Community/political opposition;  
P4.- Consultant performance; P5.- Inter-agency coordination; P6.- Supplier/contractor performance;  
P7.- Project/component design; P8.- Contract condition compliance delays; P9.- Cost overrun; P10.- Other

## ENDNOTES

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<sup>1</sup> During the preparation of the Country Program Evaluation, OVE interviewed at least 24 active or former Government officials, 34 Bank staff, 13 local entrepreneurs and representatives from the private sector of Belize.

<sup>2</sup> The country is divided into six districts: The northern districts of Corozal and Orange Walk, the base of the sugar industry, consist predominantly of Mestizo and Spanish-speaking ethnic groups. The Belize district is comprised primarily of English-speaking Creole. The Cayo district, located in the center of the country, is more mixed and includes a small community of Menonnites. In the south, the Stann Creek district is the base of the citrus and banana industry and consists predominantly of Garifuna population. Still farther south is the Toledo district, where more than 60% of the inhabitants are Mayan.

<sup>3</sup> Small states are defined as countries with a population of 1.5 million or less.

<sup>4</sup> Nevertheless, British troops stayed in the country until 1994, as a *precautionary measure* in response to the border disputes with Guatemala.

<sup>5</sup> Like most of the English-speaking countries in the Caribbean, Belize is a constitutional monarchy that retains a place within the Commonwealth of Nations and a formal allegiance to the Queen of England, its head of state. The Prime Minister and Cabinet represent the executive branch of Government. The legislature is comprised of a 29-member House of Representatives and a senate consisting of twelve members and a president. A two party system has existed in Belize since 1961: the People's United Party (PUP) and the United Democratic Party (UDP). Since its independence, there have been four smooth changes of Government. For more information see: Barry, T. *Inside Belize*, 1995

<sup>6</sup> There is virtually no planning capacity of the public sector due to the long-standing weakness in the existing database of relevant economic and social variables, lack of qualified personnel and organized systematic analysis on an economy-wide basis within the relevant departments of Government. Much of the database and formal economic analysis is found within the Central Bank, the Ministry of Finance and the Central Statistical Office, none of which have a central focus on investment planning.

<sup>7</sup> Three main problems affect the quality of administration of justice: a) Delays in bringing cases to full completion, as evidenced by a growing backlog of civil cases (from 122 in 1997 to 185 in 1999) and criminal cases (from 175 in 1997 to 350 in 1999). Records show also that it takes between 3 and 5 years for civil cases to be finally disposed of in the Supreme Court; b) Perceptions of the Belizeans that the justice sector may not always yield fair decisions; and c) Limited access to justice for the poor, women and disadvantaged groups.

<sup>8</sup> The Kaufmann Index is based on responses from a large number of enterprises, citizen and expert respondents regarding quality of governance .See:

<http://www.worldbank.org/wbi/governance/pubs/govmatters3.html>

<sup>9</sup> For more information see: Political Reform Commission, *Final Report*, January 2000.

<sup>10</sup> Among the most important recommendations accepted and implemented were: Recommendation #2: The PRC urges that the following areas be addressed by the Government: a) Decreasing official waste and corruption; b) Enhancing opportunities for people's participation in the legislative process; c) Enhancing opportunities for women in political leadership; d) Enacting campaign finance regulations; e) Reviewing the role of the Senate in the legislative process; f) Restoring faith in the independence of the Judiciary; g) Enhancing the effectiveness and impartiality of the public service in the delivery of services to the Belizean public; h) Ensuring greater oversight of the Legislature over the Executive branch of government; i) Ensuring that elected officials and public officers who violate procedures and laws are held accountable; j) Ensuring that Belizeans become more educated about their rights and about their political system. Recommendation #18- Land: The PRC recommends that the land laws and the administration of land distribution and management be reformed so as to a) ensure transparency and fair opportunity of access and use; b) de-politicize the decision making-process, and c) address concerns related to lack of timely compensation for the public acquisition of private land. Recommendation #86- Municipalities: The PRC recommends that a) the Government commission a task force to review the powers and responsibilities of city councils and town boards in relation to those of central government with the objective of further clarifying and rationalizing these, and identifying what additional responsibilities can be assumed by these bodies to make them more autonomous; b) provisions be made for city councils and town boards to further publicize their operations and issues; c) the Government, after some consultation, develop clear guidelines and criteria and processes for the establishment of cities and towns. Recommendation #97- Formal

Education: The PRC recommends that a) Government take immediate action to lead to a national and collective process to review and revise educational curricula at all levels of schooling in Belize to ensure that students receive adequate education about the nation's constitution, rights and freedoms, political system and political practice; b) in undertaking this process that Government consults with all relevant stakeholders.

<sup>11</sup> In August 2003, the OAS, in cooperation with the GOB, held a national conference in Belize, represented by a wide cross-section of society, and which was considered a model legislation to fully implement the provisions of the Convention. A Committee was formed to monitor the implementation process and it is expected that the draft legislation currently under consideration will reach the statute book before long. Belize passed a spate of legislation in 2002 to strengthen its regulatory framework in the offshore financial sector. Noteworthy among the measures introduced are Money Laundering (Prevention) (Amendment) Act, the United Nations Resolutions and Conventions (Enforcement) Act, the Offshore Banking (Amendment) Act and the Financial Intelligence Unit Act. The Money Laundering (Prevention) (Amendment) Act 2002 further strengthens Belize's anti-money laundering regime and makes improved provisions to combat terrorism. The Act also applies to banks, financial institutions, money transmission services, money exchange houses (casa de cambios), money lenders, money brokers, insurance agents, real estate agents, credit unions, building societies and trust business. This Offshore Banking (Amendment) Act 2002 strengthens prudential standards for offshore banks to meet the Basel Core Principles for effective banking supervision. The secrecy provisions of the Offshore Banking Act have been repealed to achieve transparency and international financial stability. Belize took a giant step forward in 2002 with the establishment of the Financial Intelligence Unit (FIU) for the better investigation and prosecution of money laundering and other financial crimes. The FIU is a corporate body headed by a Director who has wide powers for investigating and prosecuting financial crimes.

<sup>12</sup> Of the foreign-born population in Belize, which accounts for 15% of the total population, 43% are from Guatemala, 18% from El Salvador and 14% from Honduras. In addition, Asian and East Indian immigrants (est. at 1,800 persons in the year 2000) have arrived in the country since the mid eighties. Most arrived under the Economic Citizenship Program. The funds obtained from the sale of passports were managed by the Ministry of Finance and used to service external debt, to fund capital projects and to support charitable institutions. The program was suspended between 1992 and 1995 and terminated on January 15<sup>th</sup>, 2002. Over the life of the program, revenues yielded an equivalent of 1% of the GDP each year.

<sup>13</sup> Although English is the official language, it is not the first language for the majority of the Belizeans. Spanish, which is the first language for about 46% of the population, is spoken increasingly throughout Belize. According to the World Bank Country Assistance Strategy paper, an estimated 70% of children begin school with no knowledge of English, putting them at high risk of repeating a grade or dropping out of school, and hence of perpetuating poverty and inequality.

<sup>14</sup> The groups most affected by unemployment are women and youngsters. The unemployment rate for women is twice as large as for men, and for young people the unemployment rate is around 80% higher than the national average.

<sup>15</sup> The total dependency ratio is the number of persons under age 15 plus persons aged 65 or older per one hundred persons aged 15 to 64. In other words, it is the sum of the youth dependency ratio and the old-age dependency ratio.

<sup>16</sup> While almost all Belizean children are enrolled in primary school (93% net enrollment rate) only 38% reach secondary school and 29% persist to age 16. Only 25% of those who complete the secondary level take the examination (CXC) that enables access to higher education. Only 1% of the population report having college degrees.

<sup>17</sup> Unskilled workers are defined as individuals with incomplete secondary educational level or less.

<sup>18</sup> See: *National Human Development Report*, 1998. Government of Belize and Shomman (2002): *Thirteen Chapters of a History of Belize*

<sup>19</sup> An estimated 37,000 Belizeans (15.4% of total population) are living in the United States. For more information see: Abraham T. Mosisa, *Monthly Labor Review*, May 2002. "The role of foreign-born workers in the U.S. economy"

<sup>20</sup> Overall, remittances increased with GDP growth and were pro-cyclical over the decade. The correlation coefficient for the period 1984-2000 on remittances was 0.28. Taking the definition of Fiorito and Kollintzas a series is pro-cyclical if the correlation coefficient is above 0.2

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<sup>21</sup> Defined as the quality of the environment for investment and for increasing productivity in a climate of macroeconomic stability and integration into the international economy. An economy is understood to be more competitive when the business environment is conducive to the sustained growth of productivity and per capita income, in a context of integration into the world economy. For more information see: "The Business of Growth" IPES 2001 Report.

<sup>22</sup> See Medium Term Economic Strategy Paper 1994-1997

<sup>23</sup> Citrus is the most significant growing agro-industry in Belize. Between 1990 and 2001, the volume of exports increased from US \$22.2 million to US \$44.3 million. Marine products is a newly born industry supported by the expansion of shrimp aquaculture. Its volume of exports has increased from US \$5.2 million in 1990 to US \$31.9 million in 2001. Prospects for this sector have improved with the granting of List One Status by the European Union in 2003, allowing sales by Belizean certified exporters to all member states.

<sup>24</sup> Over the last five years, Belize made significant investments in the sector: upgrading archaeological parks, construction of new facilities in the northern and western borders and Belize City for tourists arriving in cruise ships, construction of 1,000 new hotel rooms, etc. These investments together with a targeted marketing campaign contributed to a 13.3% increase of overnight tourist arrivals from 176,000 in 1998 to 199,521 in 2002. Hotel occupancy rate has gone up from under 30% in 1998 to over 40% in 2002. Cruise passengers have increased from 14,183 in 1998 to 319,690 in 2002. The Belizean strategy envisions a 10-year optimal scenario characterized by a model of responsible tourism with moderate growth and targeted to the upper echelons of the tourism market. More specifically the strategy fosters environmentally sensitive development of coastal tourism support for carefully guided adventure and nature activities and development of archeological sites.

<sup>25</sup> Travel and Tourism Statistics, Table 2.15, Belize Tourism Board, 2002

<sup>26</sup> WTO, 2002

<sup>27</sup> Barry, T., *Inside Belize*, 1995

<sup>28</sup> Highly volatile terms of trade growth may imply that exports are concentrated and that price movements have a big impact. This would be the case if exports are concentrated in a few commodities known to have volatile prices on international markets.

<sup>29</sup> Electricity rates are among the highest in the Caribbean region with an average cost of \$0.34 per kilowatt-hour. According to the Government, electricity costs are relatively higher than in other countries because of three principal reasons: a) the country's low population density; b) the smallness of the country that prohibits increased competition in its electricity sector, and c) the country's lack of fossil fuels as part of its natural resource.

<sup>30</sup> For example, the high costs of electricity affects the citrus industry where they account for as much as 25% of the total processing costs. For more information see: *Enhancing the Competitiveness of Agriculture in Belize*, IADB, 1996

<sup>31</sup> The road network is composed by 3,046 km of which 637 km (21% of the network) are paved. Main roads, which constitute 19% of the total network, are mostly paved. However, a great number of non-graded roads exist that are difficult to rehabilitate.

<sup>32</sup> For example, in the sugar industry, transportation costs account for as much as 30% of total production costs. For more information see: *Enhancing the Competitiveness of Agriculture in Belize*, IADB, 1996

<sup>33</sup> For more information see: *Roads and Municipal Drainage Project*, World Bank September 2000

<sup>34</sup> For most part, soil used in the banana industry is inferior to the soil in Honduras, Costa Rica and other CAC. Maximum annual yields achievable in Belize under optimum conditions are about 1,200 boxes per acre, compared to 2,000 boxes per acre in Honduras. Quality of soil also affects the sugar industry. Cost of production ranges between \$0.32 and \$0.34 per pound, making it substantially higher than those achieved in the lowest-cost cane sugar industries in other countries. Typical yields of small farmers range between 42.5 to 50 tons per hectare, a level that is below the worldwide average yield of 60 tons per hectare. For more information see: *Belize: Agricultural Sector Study*, IICA, 1995 pg.35 and *Enhancing the Competitiveness of Agriculture in Belize*, IADB, 1996

<sup>35</sup> Belize has a variety of landholdings with ownership vested through both private freehold and leasehold titles. Lands in private ownership represent 54% of the total land surface of which 1 million hectares are held as rural greater than 40 hectares. Although land management and distribution functions date back to 1862, the land use planning, data collection and land information capacities were not established until 1992.

<sup>36</sup> For example, in the 1980's, the Toledo Maya Cultural Council put forward a claim for some 500,000 acres of land for the Mayans own use and exclusive control, but no results were achieved. Today, there is negligible productive land available for expansion within the reservations and many additional Maya villages are located outside the boundaries established. Based on recent estimates, Maya farmers occupy over 25,000 hectares of un-leased national lands. In addition according to RE2, i) The real issue is that the legal foundation does not exist in Belize for recognizing common ownership of land subject to traditional forms of tenure; ii) The Maya in Toledo occupy lands classified as National Lands over which they have rights to the land and the natural resources; and iii) Failure to recognize these rights led to the filing of a petition with the Inter-American Human Rights Commission in October 2000. The future of land management in Toledo will depend on the turn out of negotiation between the GOB and Mayan Communities. Thus, there is uncertainty on the progress of the project in the southern of the country.

<sup>37</sup> Mandated under different statutes, these systems call for different legal and operational practices that have led to discrepancies in land records and confusion in land transactions. An estimated 51% of all parcels are registered under the General Registry Act; another 41% are registered under the Land Registry Act and the remaining 8% are not registered in either system.

<sup>38</sup> In 2000, Belize's GDP per capita was US \$5,606 compared to US \$4,357 of Central American countries.

<sup>39</sup> Official poverty figures are scarce and difficult to obtain from the Government. The first official effort to determine the incidence and extent of poverty in Belize was not done until 1996. These official estimates were based on the results of the Living Standard Survey conducted by the Central Statistical Office. Estimated figures presented in this report are drawn from two Labor Force Surveys conducted in 1993 and in 1999.

<sup>40</sup> In Toledo less than 1% of households have sewer connection, less than 20% has potable water from a public system and less than a half of households have electricity.

<sup>41</sup> In some cases, there are differences between the data reported by the IMF and the Central Bank due to differences in the methodology used by the institutions running their reports. In light of these differences, OVE relied on IMF information except on those cases where the Government of Belize requested to use the official Government data.

<sup>42</sup> The decomposition is derived from the national accounts identity in terms of expenditure, which is transformed to weighted growth rates. From the demand side, the contribution of each component to GDP growth in the first cycle was as follows: public investment 1%; exports 17%; imports -5%; public consumption 5% and private consumption 13%. During the second cycle, the contribution of each component was: private consumption 6%; exports 24%; imports -34%; public investment 16% and public consumption 3%.

<sup>43</sup> The Government eased credit restrictions while subsidizing interest rates through the DFC. The distribution of private sector credit was allocated to the agriculture, construction and trade and commerce sectors through DFC lending and prudential regulations for commercial banks. In addition, the Government continued its economic reform program by privatizing all marketable public enterprises, including the telecommunications company, the water and electricity companies, the port, and the banana marketing organization.

<sup>44</sup> After Hurricane Keith hit the country in October 2000, Belize was hit by a shrimp virus epidemic that significantly reduced its shellfish exports and the slowing economies of the developed world were reducing the growth in tourism spending. The attacks on the United States in September 2001 also dealt tourism a sharp blow, sending actual spending downward on travel and hotel services.

<sup>45</sup> The data provided by the Central Bank of Belize differs from the data provided by the IMF. In consultation with both institutions the differences were attributed to changes in the methodology used to calculate the fiscal figures.

<sup>46</sup> The wage bill has been the largest non-interest expenditure item object in the Government budget, followed by interest payments and pensions. Together, they represented 75% of the current expenditure in 2001. The Central Government wage bill alone increased from 46% between 1980-84 to 53% between 1990-94, to 54% between 1995-97, and down to 51% between 1998-2001. Interest payments represented 16% of the current expenditure in 2001. The interest payment increase responded in turn to increases in the domestic and external debt ratios of 13% for the domestic debt and 59% for the external debt in 2001. The wage bill increased, as there were across-the-board wage increases of 10% to 12% between 1992 and 1995, selective adjustments for teachers and security forces, and an increase in Government employment. Another factor that contributed to the spiraling of the wage bill is the bracket creep resulting from up-

grading and reclassifications. Between 1989 and 1995, employee compensation in the public sector increased by close to 50% in real terms, reaching almost 52% of the total current expenditures. In 2003, the Government granted a new salary increase of 8% for junior public officers, teachers, defense force and police, and a 5% increase for senior staff.

<sup>47</sup> Over time, tax buoyancy has diminished. While in the period 1980-1989, the ratio was 1.75, the ratio dropped to 0.33 in the nineties.

<sup>48</sup> The tax administration has been reformed with exemptions increased to BLZ \$20,000 per annum and a uniformed rate of 25% applied to income above the exemption. The Business Tax was firstly introduced at a flat level of 1.25% of gross sales for businesses.

<sup>49</sup> These corrective measures included: reintroducing the citizenship program (sales of passports), freezing civil servant wages, downsizing central Government employment by 9% and cutting domestically financed capital outlays. In addition, the Government continued with its privatization program, which helped financing part of the central Government deficit by reducing borrowing requirements. However, this revenue source will soon dry up since the bulk of the privatization program was completed in 2002.

<sup>50</sup> In 1991, the balance of payments recorded a sizable deficit, equivalent to 5.2% of the GDP, after six years of consecutive surpluses.

<sup>51</sup> Due to the collapse of sugar prices (from 13.44 cents per pound in 1995 to 6.54 cents per pound in 1999), the decline in agricultural and manufacturing activities, the effects of the hurricanes, a shrimp virus epidemic, the reduced access to preferential markets, the slowdown in the services sector and the reduction in transfers from Great Britain resulting from the departure of their troops in 1994. According to official data, British troop's collective expenditures were equivalent to 4% of GDP.

<sup>52</sup> Since 1976, the Belizean dollar has been pegged to the US dollar. As in many other countries operating under this system, a latent parallel market for foreign exchange appeared in Belize. This system subsists due to the pervasive exchange controls (requirements for export proceeds and capital account controls), attempts to avoid banking fees or controls and cash transactions in the tourist sector.

<sup>53</sup> Over the nineties, the GDP growth in real terms reported a standard deviation of 3%

<sup>54</sup> It employed on average 17% of the labor force during the nineties.

<sup>55</sup> Staff mobility is not a major issue in Belize because public servants salaries are comparatively higher to those paid in the private sector. The senior level of the civil service in Belize is paid on average 35% more than its counterpart in the private sector, while the medium level bureaucrat is paid on average 60% more. See: *Public Sector Modernization in the Caribbean*, World Bank 1996.

<sup>56</sup> According to the Schott "readiness indicator", Belize ranks 17th in a sample of 32 countries in the Region. The readiness indicators are composed by a set of macro (price stability, budget discipline, national savings, external debt and currency stability), microeconomic (Government's reliance on market-oriented policies and on trade taxes as a form of tax revenue) and political (index of political rights and civil liberties, index of health, education and per-capita income) variables that, when combined, allow for the assessment of the capacity of a country to compete in the global market place.

<sup>57</sup> For more information see: Rodríguez, J., *El BID y el Sector Privado en Belice*, December 2003.

<sup>58</sup> For more information see: Rodríguez, J., *El BID y el Sector Privado en Belice*, 2003.

<sup>59</sup> The objective of this chapter is to describe and evaluate the programming intent for Belize, based on two evaluative criteria of program outputs: relevance, which establishes whether the Bank's program address the major development challenges faced by the country and; coherence, which establishes whether the programs integrate the range of Bank instruments and co-ordinate Bank actions with other development actors. These dimensions are evaluated from the perspective of intent as stated in the CPs. OVE used inputs from active and former Government officials and Bank staff to prepare this section. For more information see: *Protocol for the Country Program Evaluations* (RE-271).

<sup>60</sup> These challenges included: a) Maintaining and upgrading the existing economic and social infrastructure; b) Enhancing productivity in the foreign exchange earning sector; c) Providing and enabling the environment for private sector development while rationalizing public sector management and; d) Improving the quality of life for all Belizeans.

<sup>61</sup> The CPP reported that the Government was planning to finance nearly 70% of the public investment from external sources.

<sup>62</sup> The recommendations at the Programming Committee suggested that the Bank should concentrate its efforts on financing the Southern Highway rehabilitation project. At the time, this project was contemplated as a US\$ 40 million IDB loan, which the Government objected to, arguing it was over dimensioned.

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- <sup>63</sup> *Country Programming Paper* (CP-487), 1993 page iii.
- <sup>64</sup> See Special Report on Bank's first activities in Belize (CP-455).
- <sup>65</sup> For more information see: *Country Program Evaluation: Belize 1993-2003*, Comments by Regional Operations Department II, March 2004.
- <sup>66</sup> IDB-7 established "the availability of FSO financing for all Group D countries. However, as an interim measure, preferential treatment would be offered to the five Group D countries that are facing the most severe economic difficulties. Fifty-five percent of the total FSO loan program would be targeted for these countries. The remaining forty-five percent would go to the other five Group D countries". For more information see: *Seventh General Increase in the Resources of the Bank*, (AB-1378)
- <sup>67</sup> Under the IDB-8 Replenishment (AB-1704), FSO resources are to be used exclusively in the poorest, least developed countries in group D (Bolivia, Guyana, Haiti, Honduras and Guatemala).
- <sup>68</sup> For more information see: *Belize Programming Mission Report* (CP-873-1), 1995
- <sup>69</sup> Country Paper 1999 (GN-2019-2) page i.
- <sup>70</sup> According to the Region during this period (1993-1998), the economy was performing reasonably well, there were no natural disasters and there was little interest on the part of the Government to sustain discussions on macroeconomic issues. In fact, the country dialogue during this period was essentially at the project level rather than at the macroeconomic level. Moreover, since Belize joined the Bank, there had never been an IMF program for the country, so the catalytic role of the IMF in the formulation of macroeconomic policies was absent. For more information see: *Country Program Evaluation: Belize 1993-2003*, Comments by Regional Operations Department II, March 2004. Also see Chapters III and IV.
- <sup>71</sup> Priorities stated in the Medium Term Economic Strategy Papers (1994-97; 1998-2002) and the Development Plan Paper.
- <sup>72</sup> For more information see: Belize Country Paper Final Version October 14<sup>th</sup> 1999 GN-2019-2.
- <sup>73</sup> For implementation results of these MIF activities, see paragraph 5.50 and 5.51
- <sup>74</sup> For more information see: *Belize Programming Mission Report* (CP-873-1), 1995
- <sup>75</sup> The Bank has fourteen different types of lending instruments available for product/instrument mix
- <sup>76</sup> Including five specific type loans (PESP) for US \$68.7 million (75%), two reimbursable technical cooperation loans (PCTR) for US \$3.5 million (4%), and one emergency reconstruction loan (PERF) for US \$20 million (22%)
- <sup>77</sup> See Consolidated comments from Management to OVE's CPE Belize, May 27, 2004.
- <sup>78</sup> For more information see: <http://webnet/NFP/>
- <sup>79</sup> Four related to debt and fiscal matters, 2 regarding competitiveness and one in the tourism area.
- <sup>80</sup> For more information see: *Country Program Evaluation: Belize 1993-2003*, Comments by Regional Operations Department II, March 2004
- <sup>81</sup> The Table has three columns: a) Projects anticipated and done, which list projects identified in the programming documents that were actually approved; b) Projects anticipated but not done, which list projects identified in the programming documents but not approved; and c) Projects not anticipated but done, which list the projects that were approved but that had not been included in the country programming documents. Projects listed in the third column are projects not anticipated in the CPP or CP, although in some cases they may have been included later on in the programming missions carried out by the Bank.
- <sup>82</sup> The first project approved by the Bank for Belize was not anticipated in the 1993 CPP.
- <sup>83</sup> *Belize Country Strategy Update*, IDB, May 2003
- <sup>84</sup> The Health Sector Reform project (BL0014) was rated with a low probability of achieving its development objectives between December 2001 and December 2002. This project represents 11% of the current active portfolio.
- <sup>85</sup> For more information about the donor coordination in Belize see: *CPE-Belize Donor/Financier Coordination*, J. Feinsilver.
- <sup>86</sup> PPMR, BL-0012 (1250/OC-BL), October 3, 2003.
- <sup>87</sup> PPMR BL-0014, October 1, 2003.
- <sup>88</sup> Email comment by Leon Harris, 10 November 2003.
- <sup>89</sup> USAID, *Overseas Loans and Grants* (the Greenbook) on-line, "Total Economic Assistance Loans and Grants." IDB data are from the Web Data Analyzer, 08 October 2003. World Bank data are from a dataset emailed by the WB.
- <sup>90</sup> After 1994, eligibility for non-reimbursable convertible currency resources was limited to C and D countries, having a per-capita GDP under USD \$1,600 as defined in the 1993 Bank's Annual Report (OP-

402). Belize's GDP per capita in 1993 was USD \$2,206. Belize is eligible however to receive C and D Action Plan resources. Annual allocation amount US \$139,608 dollars a year (US \$34,000 from FSO funds and the rest from the Bank's Administrative budget) for project identification, preparation, and execution. Specific information provided by COF/BL for 2001-03 indicates that the Plan resources have been fully utilized, mainly for the areas of tourism, solid waste and private sector development.

<sup>91</sup> Grants come from Taiwan and Kuwait mainly.

<sup>92</sup> See endnote 67. In addition, Belize is part of the C and D Action Plan, which allows the country to access US\$139,608 dollars a year (US\$34,000 from FSO funds and the rest from the Bank's administrative budget) for project identification, preparation, and execution. Specific information provided by COF/BL for 2001-03 indicates that the Plan resources have been fully utilized, mainly for the areas of tourism, solid waste and private sector development.

<sup>93</sup> This chapter centers on the efficiency of delivery, which intends to establish whether the Bank delivered on its promised program outputs in a timely and cost-effective fashion.

<sup>94</sup> The exercise measures the time taken in each step of the preparation process until first disbursement. Formal startup date refers to the Profile I date, while the first disbursement date refers to the first eligibility date of the project.

<sup>95</sup> Disbursement efficiency is measured by the ratio of the percentage of project funds disbursed to the percentage of the project's original programmed duration that has transpired. Disbursement follows a tilted "S" curve pattern with about 40% disbursed when the original project termination date is achieved.

<sup>96</sup> For "D" countries, cumulative disbursement reaches about 52% when the original project termination date is achieved.

<sup>97</sup> Project extended institutional support is a rough estimate of the percentage of an investment loan that can be said to finance activities directed at supporting the institutional structure on which an investment project operates. For example, in CPE Nicaragua, OVE found that nearly 26% of the total portfolio was directed to institutional support activities.

<sup>98</sup> According to CO-308, programming the inspection visits should be an integral part of the business plan developed at the time of budget preparation. At that time, Representatives should plan the number of visits required per project in execution for the upcoming year and forward this information to the Regional Managers for information. In establishing their business plan for inspection visits and programming the actual visits, the Representative should take into account project classifications and the problems and action plans contained in the PPMRs.

<sup>99</sup> For more information about the ex-ante evaluability index see Knight and Ruprah 2001.

<sup>100</sup> For more information about project evaluability see: *Analysis of Project Evaluability for 2001* (RE-275),

<sup>101</sup> For more information see Chapter V.

<sup>102</sup> Idem

<sup>103</sup> The long preparation time was attributed to differences between the Government and the Bank on the loan amount, the road specifications and tranches of the highway, as well as the differences between the Government and the Bank regarding the need for environmental and social safeguards to be in place prior to opening up the Region. According to RE2, the delays were many, some precipitated by problems with UK co-financing and poor internal rates of return but most traceable to concerns over Bank policies and procedures, which required additional studies and analyses not contemplated when project preparation started.

<sup>104</sup> According to the CPP these are: a) Freedom from the costs associated with road closures; b) Reduced costs for agricultural and other enterprises in the area leading to increased export competitiveness; c) Improved national integration and; d) Eventual physical integration with Central America through Guatemala.

<sup>105</sup> According to the Assessment on the Southern Highway Report, in the period 2001-2002, traffic surveys reported a 386% growth in light vehicles and 220% in heavy vehicles. With respect to transportation costs, the report states that there have been no significant changes. Nevertheless, there has been a reduction in spoilage of perishable products due to better and faster mobilization and the improved conditions of the new highway although no metric is available for comparison. In both cases, the report provides no metric to substantiate these arguments.

<sup>106</sup> For more information see the *1999 Country Paper* (GN-2019-2)

<sup>107</sup> Including measures germane to land use zoning, building codes, forced evacuation or injury to evacuees at shelters.

<sup>108</sup> The project consists of three components that were designed to address Belize's disaster occurrences. The components include: 1) Structural measures to mitigate vulnerability (reducing both the vulnerability of shelters and the hazard proneness of Belize City by upgrading the drainage infrastructure); 2) Institutional measures to improve hurricane response capacity; and 3) Support to long-term sustainability (maintenance of drainage works and shelters).

<sup>109</sup> For the simultaneous execution of both programs, there was insufficient availability of architects, carpenters, engineers, electricians, and less qualified workers. Rehabilitation Project implementation, therefore, exposed the soft spots of Belize's labor force. Craftsmen, architects, and engineers are insufficient in number to execute major rehabilitation projects in response to natural disasters.

<sup>110</sup> Three-quarters of this were classified as "direct damage" at present value or replacement cost in current prices, depending on the item.

<sup>111</sup> For more information see: *Evaluation of the Emergency Reconstruction Facility (RE-264)*

<sup>112</sup> Among the constraints identified in need of reform were: inefficiencies in resource allocation; limited and centralized sources of sector financing; unregulated private sector participation; inadequate organization and delivery of health services, human resources policies and management information systems; poor access to health services and management of support services. For further details see: *Quest for Equity, Belize National Health Plan, 1996-2000*

<sup>113</sup> This activity had been identified in the 1999 CP document.

<sup>114</sup> The project has three components: the first one designed to restructure the public sector and to support institutional strengthening (specially within the MOH); the second one focusing on physical infrastructure upgrading and the improvement and rationalization of health services; and a third one, addressing the development and implementation of a health sector financing strategy.

<sup>115</sup> See BL0014 Issues Notes October 8<sup>th</sup> 1999.

<sup>116</sup> OVE could not find in the Executing Agency reports any information regarding outcome indicators. A request was made to the Ministry of Health with respect to these indicators, but the information as of today has not been provided. This is an important issue considering that availability and timely information to support decision-making is a well-known problem in Belize.

<sup>117</sup> It is worthwhile noticing that for the health sector, it is difficult to establish whether key indicators have improved over the nineties. The data shows no definite trend and rates are highly sensitive to small changes due to the population size. In addition, there are major differences in the data reported by different sources (World Bank, UNICEF, PAHO and Government). On average, data shows some progress in lowering the mortality rates for mothers, children under 5 years and infants. There are also decreasing deaths from communicable diseases and increasing life expectancy at birth (especially among the female population). However, there is a continuous increase in the incidence of HIV/AIDS, among the Belizean population, a lack of evidence of improvements in malnutrition, and a small decrease in the fertility rate.

<sup>118</sup> Cholera began to be a problem in 1998 with 3 reported cases, and 12 in 1999. However, there were no reported cases in 2000.

<sup>119</sup> The implementation problems described in this evaluation are the result of OVE's review of the project progress reports and interviews with key Government and Bank actors involved in the project implementation.

<sup>120</sup> Instead, the Social Security Board-NHI Administration has put together a plan to rollout the NHI on a phased basis, completing the exercise by 2008. In the short-term financing of the gradual geographical expansion of the NHI will come from three different sources: i) the short-term sickness cash benefit branch of the SSB; ii) the current budget allocated of the Ministry of Health to finance primary care services; and iii) resources from the consolidated fund to finance the indigent population.

<sup>121</sup> It should be noticed that without this upgrading the network of institutions proposed in the project could not be achieved.

<sup>122</sup> According to PAIS website the reason is: 10% disbursements over past 12 months. In response to the fact that 13 out of 20 health projects appeared in the ARPE 2002, SDS prepared a report identifying principals' obstacles on project execution. After a process of consultation among specialists in the Bank, the difficulties identified in this report for the BL-0014 were: (1) Political changes that lead to policy uncertainties; (2) Weak executing agency and consultant capacity; and (3) Disbursement delays by coordinating agencies.

<sup>123</sup> According to the Status of the project available on line "*Some of the assumptions particularly as they relate to Component 3 may need to be rationalized and perhaps adjusted as there have been some changes*

to the Government of Belize's approach to the NHI. While there appears to be commitment to reform at the highest level of policy-making, there are conditions that have had adverse effects on implementation progress such as: the inadequate staffing of PAPU, the inadequate logistical and office environment support for timely and effective management by the PMU; the changes in the approach to NHI; the delay in the implementation of CDB-funded activities; the delay in the architectural and engineering consultancy; and lack of vibrancy in the HSRP Steering Committee. The project suffered delays during the early periods and will have difficulty making up for lost time, as some indicators are very precise regarding originally agreed time for execution. Even as execution make incremental progress, indicators will point to early problems of delays.”

<sup>124</sup> For further details see the Terms of Reference of the Mission.

<sup>125</sup> For further details see Aide Memoir of the Administrative Mission.

<sup>126</sup> For further details see Aide Memoir of the Administrative Mission.

<sup>127</sup> The project has three components: (i) Land record management, which accounts for 39% of the total resources of the project. Its target is to enter, reconcile and computerize property records; (ii) Land tenure adjudication, which accounts for 50% of the project resources, will complete surveys and adjudicate parcels in the north and south Belize. (iii) Land policy and legal reform, which will prepare recommendations for government actions on land policy based on the reviewing of land legislation.

<sup>128</sup> Central Statistical Office, Labor Force Survey 1993-1999

<sup>129</sup> The PPMR of June 1999 states that “the delay was mainly due to slow response from suppliers and the lack of experience by the commercial banks in Belize doing business by letter of credit.”

<sup>130</sup> PPMR of December 1999 states that “The reasons for the delay include underestimates of time required for project management in the original project design; problems with timing of international technical assistance; and delays in procurement of computers and consultant for the public awareness campaign”.

<sup>131</sup> PPMR of December 1999 states that “This became necessary as the estimated 9,600 parcels to be surveyed was not being met due to lack of experience, among other limitations, and the estimated cost of surveys US\$100/parcel) appeared low”.

<sup>132</sup> Estimated in 9600 parcels.

<sup>133</sup> This was the main component of the project, exploiting 50% of the project’s resources.

<sup>134</sup> PPMR of December 2000, “The Executing Agency requested a second extension of the Project execution period; this time to September 30, 2001 to allow for the use of the balance of the Counterpart Resources.... It is agreed that these resources is to be used primarily to strengthen the Executing Agency to accommodate the improvements brought about by the Project”

<sup>135</sup> Loan Document, “While most project activities are not specifically poverty targeted”.

<sup>136</sup> The Mayans were given a reserve by the British, however, they live in areas outside the boundaries of the reserve. Those were the areas partly targeted by the project as financing transaction for the property to be sold. The Mayans took their case to a tribunal in 1996, however the case has yet to be resolved. In 2000 the Mayans took their case to OAS, and the three parties are still in negotiations.

<sup>137</sup> The project has four components: (i) National cadaster and property rights registration. Its target is to clarify and register tenures of the rural and urban parcels; (ii) Expansion of land administrations services, which will consolidate the land registry, improve land valuation and taxation process, create a national parcel-based information system and strengthen land management; (iii) Land use planning and development review that will establish a decentralized land use-planning framework, planning activities and build capacity in land use planning and development review; and, (iv) Land policy reform and MNREI strengthening includes supporting for the national advisory committee and complementary institutional strengthening.

<sup>138</sup> According to the Executing Unit, the cost of surveying parcel of land (20 acres) using GPS technology is US \$250 against US \$600 using the traditional method. The number of villages participating in program activities is as follows: a) Cadastral surveying and adjudication: Corozal District (21 villages), Orange Walk District (16 villages), the third district has not been selected to date but will approximate 30 villages; b) Decentralized National Land Use Planning Framework: 197 Villages and 7 towns invited to participate; and, c) Village boundary delineation = 80 villages

<sup>139</sup> Although performance data are collected from various departments when required, there is no overall data gathering system to receive baseline information for later storage and dissemination of information on agricultural health. For more information see latest PPMR (Jun 2003).

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<sup>140</sup> TEA is a non-profit community based organization that aims at providing alternative sources of income for the people of Toledo, ensuring the protection of local culture and natural resources.

<sup>141</sup> According to the Project Final report, this village dropped from the program because of differences regarding local ownership and participation. (Janus Foundation Report, May 2003).

<sup>142</sup> OVE field observations of 7/03 and Janus Foundation Report.