



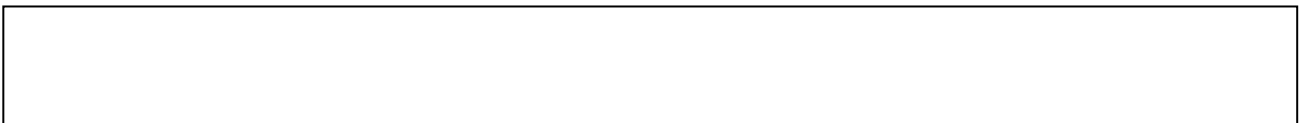
***RE-420***

***APPROACH PAPER: COUNTRY PROGRAM  
EVALUATION. BELIZE 2008-2012***

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***Office of Evaluation and Oversight, OVE***

Inter-American Development Bank  
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## Acronyms and Abbreviations

BEL	Belize Electricity Limited
BTL	Belize Telemedia Limited
CABEI	Central American Bank for Economic Integration
CARICOM	Caribbean Community
CBL	Country Office Belize
CDB	Caribbean Development Bank
CFA	Country Fiduciary Assessment
CPE	Country Program Evaluation
CS	Country Strategy
DFC	Development Finance Corporation
GDP	Gross Domestic Product
IDB	Inter-American Development Bank
IMF	International Monetary Fund
NSG	Non-Sovereign Guaranteed
OVE	Office of Evaluation and Oversight
SICA	Sistema de la Integración Centroamericana
SEC	Office of the Secretary
SG	Sovereign Guaranteed
TC	Technical Cooperation
WDI	World Development Indicators

## I. INTRODUCTION

- 1.1 This approach paper defines the contents and scope of the Country Program Evaluation (CPE) for Belize during the period 2008-2012. It is partially based on a preliminary diagnosis of the context prior and contemporaneous to the execution of the Country Program being evaluated. According to the 2009 revised version of the Protocol for Country Program Evaluation, the “main goal of the CPE is to provide information on Bank performance at the country level that is credible and useful, and that enables the incorporation of lessons and recommendations that can be used to improve the development effectiveness of the Bank’s overall strategy and program of country assistance” (RE-348-3, p. 1). This information could be used both for accountability and for lesson learning purposes by the Country and the Bank.
- 1.2 In accordance with said protocol, this CPE will be delivered before the new country strategy for Belize is presented to the Board of Executive Directors. However, since the Belizean government held General Elections one year earlier than anticipated, the evaluation will necessarily be conducted **after** the change of government—an exception to the CPE protocol.
- 1.3 This is the third instance in which a Country Program for Belize is being evaluated. The previous evaluations covered the periods 1993-2003 (RE-296) and 2004-2008 (RE-349) whereas this CPE will cover the years 2008-2012, the same period of the latest country strategy with Belize (GN-2520-2).

## II. THE CONTEXT OF THE COUNTRY PROGRAM, 2008-2012

- 2.1 Belize is a country of approximately 330,000 inhabitants. Relative to its population, it has a large territory, which implies a low population density—only 14.37 people per squared kilometer, ranking 202<sup>nd</sup> worldwide. In addition, the population is spread throughout the territory: In 2010, only about 52 percent of the population was living in urban areas and less than 35 percent in the five largest cities.<sup>1</sup> The combination of these two characteristics—a small population spread out in a relatively large territory—creates significant economic challenges, as economies of scale are limited. The provision of public goods and services becomes very costly on a per capita basis and even the markets for some private goods and services may exhibit high levels of concentration.
- 2.2 Located in Central America but culturally closer to the Caribbean, Belize is often considered a bridge between the two regions. It has been a member of CARICOM since 1974 and recently joined the Central American Integration System (SICA). Furthermore, it is the only country that belongs to both regional integration schemes and their correspond-

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<sup>1</sup> In contrast, Iceland, a developed country with similar population size, has an urbanization rate of 92 percent and almost 65 in the five largest cities.

ing financial institutions—CDB and CABEL.<sup>2</sup> Nevertheless, according to some observers, Belize has been more like an island between Central America and the Caribbean.<sup>3</sup> It is located relatively far from the rest of the Caribbean countries and its predominant use of the English language separates it from its neighbor countries. In addition, the lion's share of its trade takes place with the US and the UK: between 64 and 80 percent of its exports and from 32 to 36 percent of its imports.<sup>4</sup>

- 2.3 Belize has a GDP per capita of approximately US\$4,350, about half way between Nicaragua and Panama (Figure 1). Traditionally, the main productive sector of the Belizean economy has been agriculture though in more recent years tourism and oil have also become major drivers of the economy. Belize is an attractive touristic destination chiefly due to its extensive coral reefs. Between 2004 and 2011, inflows of foreign exchange associated with tourism amounted to an average 20 percent of GDP.<sup>5</sup> Agricultural activity represents 9.5 percent of GDP on average, and is concentrated in sugarcane, citrus, and bananas. Oil extraction in commercial quantities started in 2005 and in 2011 oil exports amounted to more than 10 percent of GDP—the two existing oil fields, however, are expected to dry out by 2019. The Belizean economy is thus highly vulnerable to external factors such as demand for tourism, variations in the prices of commodities, and natural disasters—the country is located in a zone of hurricanes and its low elevation make it prone to flooding; also, the coral reef is a fragile resource on which tourism depends heavily.
- 2.4 Despite economic growth, poverty levels are high and increasing. According to the most recent government estimates available, indigence and poverty rates increased substantially between 2002 and 2009—from 11 to 15.8 percent and from 34 to 41.3 percent, respectively. Poverty is particularly high (60.4 percent) in the southern district of Toledo—where the majority of the population is Mayan—and is lowest (28.8 percent) in the Belize district. Inequality has also increased—albeit moderately—between 2002 and 2009, as the Gini index moved from 0.40 to 0.42. This is a low figure for Latin American and Caribbean standards, but it may not be comparable to international figures. Data from the World Bank indicates that Belize's Gini index in 1999 was 0.53, which is very high on a world scale but about mid-range in the Latin American and Caribbean region (Figure 2). Parallel to these changes, crime rates have increased over the last decade and have become an important source of concern for Belizeans.

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<sup>2</sup> Belize joined SICA in 2000, 9 years after its establishment as a successor of ODECA—Organización de Estados Centroamericanos, in turn established in 1951. It also joined CARIFTA in 1965 and is a member of the Caribbean Single Market Economy (CSME).

<sup>3</sup> Barbara Bulmer-Thomas and Victor Bulmer-Thomas, *The Economic History of Belize: From the 17<sup>th</sup> Century to Post-Independence*, Cubola Books: Belize, 2012, p. 174. During the early republican period (1820-1860), however, Belize was closely linked with the Central American Republics, conducting a profitable entrepôt trade with them.

<sup>4</sup> See Central Bank of Belize, Annual Report 2011. Exports to and imports from CARICOM represent 7.3 and 2.3 percent of total, respectively. Meanwhile, trade with Central America varies substantially. In 2009, exports to this region represented over 18 percent of the total while in 2011 they collapsed to only 0.8 percent. Imports from Central America ranged between 18.8 and 14.8 percent of the total.

<sup>5</sup> See Central Bank of Belize, *op. cit.*

- 2.5 Belize has low rates of school enrollment, especially at the secondary and higher levels (Figure 3). In addition, data from 1990 and 2000 indicate that the country had a high rate of skilled emigration (Figure 4). Together, these figures suggest that skilled labor may be scarce in the country. Belize also faces infrastructure bottlenecks (IMF, 2011) such as insufficient paved roads (Figure 5) and telecommunications. Domestic interest rates have been persistently high (Figure 6) which is considered an important disincentive to investment caused by lack of fiscal discipline, low domestic savings, high reserve requirements by the Central Bank of Belize, and an inefficient and highly concentrated banking system.<sup>6</sup>
- 2.6 All these factors contribute to a poor business environment which, according to the 2011 Global Competitiveness Report, is perceived to be worse than the average in Central America and Latin America and the Caribbean as a whole (Figure 7). However, they have not prevented foreign direct investment from flowing into the country, which peaked at 13 percent of GDP in 2008 (Figure 8).
- 2.7 The period 2007-2011 has been one of fiscal adjustment and economic contraction—with an annual average growth rate of -1.43 percent in real per capita terms. Between 1998 and 2006, Belize had grown at a pace of 6.36 percent per annum.<sup>7</sup> This episode of growth was driven primarily by public sector intervention, financed with external debt (Figure 9) and channeled mainly to the building and construction sector through the DFC.<sup>8</sup> Between 1999 and 2006, public external debt increased from 40.4 percent to 83.9 percent of GDP while the central government’s overall balance averaged -8.21 percent of GDP.<sup>9</sup> By the end of 2006, the DFC had accumulated a large proportion of nonperforming loans and the country was not able to meet its debt repayment obligations. In February 2007, a debt restructuring took place by way of issuing a so-called “super bond” of US\$550 million, which contemplated initially low but increasing interest payments and principal repayment as of 2019.
- 2.8 Although the government of Belize has maintained a primary surplus since 2006, it is currently facing difficulties to meet its debt obligations. This is due to various reasons: first, the negative effects of the international financial crisis and of an unprecedented flood in 2008 that substantially damaged the country’s infrastructure and agricultural production; second, an expected decline in petroleum-related revenues; third, the increasing size of the super bond’s coupons; finally, the recent nationalization of two companies—BEL (electricity) and BTL (telecommunications)—which has generated substantial contingent liabilities estimated by the IMF at 17 percent of GDP.<sup>10</sup> The government has expressed its intention to renegotiate the country’s debt amidst repeated downgrades of

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<sup>6</sup> See Hausmann and Klinger, 2007 (document prepared as a background study for the Country Strategy) and Perez, 2011.

<sup>7</sup> In both figures GDP is measured at constant US\$ of 2000 (data from WDI).

<sup>8</sup> Development Finance Corporation (DFC), Belize’s development bank established in 1963. See Nogales 2006 for an analysis of the DFC.

<sup>9</sup> Data from the IMF Article IV Consultation, various issues.

<sup>10</sup> The figure corresponds to total contingent liabilities, see IMF 2011, Article IV Consultation.

its credit rating and strong fiscal pressures coming from the social sector (see paragraph 2.4).

### III. PREVIOUS CPE AND COUNTRY STRATEGY

- 3.1 The previous CPE for Belize covered the period 2004-2008 and found that although the Bank “played an important role in supporting Belize in dealing with its largest macroeconomic crisis since its independence, the IDB also lost the opportunity to promote some key institutional reforms that would have improved the country’s long-run economic stability,” such as improving the public accounting and budgeting systems and the public accountability mechanisms (RE-349, p. iii). Another important finding was that although the Country Strategy’s main objective was to “assist Belize in its transition toward private sector-led growth” (GN-2320) the operations with the private sector “lacked strategic focus and were poorly coordinated” (RE-349, p. v). In light of these findings and the difficult financial situation of the country, the CPE recommended that the Bank “develop a clear and comprehensive fiscal sustainability analysis and make sure that all future operations are consistent with it.” It also recommended to “support a comprehensive Country Fiduciary Assessment (CFA) of Belize” and to develop a comprehensive private sector strategy.
- 3.2 The 2008-2012 Country Strategy (CS; GN-2520-2) was approved in June 2009. Consistent with the CPE’s recommendations, it stated that the “IDB will continuously monitor fiscal sustainability throughout the country strategy period and calibrate its financing in accordance with changing country conditions” (GN-2520-2, executive summary). Rather than establishing specific sectors for Bank support, the CS identified four development objectives to which it would contribute: “(1) Ensuring sound fiscal management and public sector transparency; (2) Creating the conditions for and restoring sustainable, private sector led growth; (3) Improving human resource development and social protection; and (4) Rehabilitating road infrastructure damaged by floods in early November 2008” (*idem*).

### IV. METHOD AND EVALUATION QUESTIONS

- 4.1 The CPE will analyze whether the program actually implemented was consistent with the country’s development needs as well as with the objectives laid out in the CS and with the previous CPE’s recommendations. Following the OECD-DAC, it will assess the extent to which the Bank’s program with Belize was relevant, effective, efficient and sustainable.

## **A. Relevance**

4.2 Relevance “refers to the degree to which the design and objectives of the Bank strategy and program of assistance were consistent with the needs of the country and with the government’s development plans and priorities” (RE-348-3, p. 7). The CPE will hence seek to answer the following broad questions:

- i. How consistent was the Bank’s program with Belize’s development challenges—both structural and period-specific—and with the government’s development objectives?
- ii. How consistent was the Bank’s executed program with the CS?
- iii. How important is the Bank’s program for Belize relative to the programs of other development agencies?
- iv. Has the Bank’s usage of the different mechanisms of assistance available—e.g. SG loans, NSG loans, and TCs—been consistent with the needs and economic circumstances of the country?

## **B. Efficiency**

4.3 This criterion “refers to the extent to which the design and delivery of assistance were most cost effective” (RE-348-3, p. 8). To assess efficiency, the CPE will answer the following questions:

- i. What have been the preparation and execution times and costs of the Bank’s operations in Belize?
- ii. What factors have determined those preparation and execution times and costs?

## **C. Effectiveness**

4.4 Effectiveness “refers to the extent to which the assistance instruments achieved the intentions and objectives set” (RE-348-3, p. 8). The CPE will look at this dimension and will also try to assess the impact of the program, that is, its contribution to economic development. Specifically, the CPE will review what evidence there is of the Bank’s contribution to the four country development objectives selected by the CS:

- a. Ensuring sound fiscal management and public sector transparency;
- b. Creating the conditions for and restoring sustainable, private sector led growth;
- c. Improving human resource development and social protection; and
- d. Rehabilitating road infrastructure damaged by floods in early November 2008.



- 4.5 To this end, the following questions will guide these efforts:
- i. How evaluable were ex ante and ex post the Bank’s CS and operations?
  - ii. What is the progress of the operations and technical cooperation products in terms of outputs and outcomes?
  - iii. Have the Bank’s operations and technical cooperation products had any externalities or unintended results?

**D. Sustainability**

4.6 Sustainability is defined as “the likelihood that actual and anticipated results will be resilient to risks beyond the program period” (RE-348-3, p. 9). To assess this dimension the CPE will try to answer the following questions:

- i. Are there any factors or circumstances present in the country that could negatively affect the results of the Bank’s operations?
- ii. Did the Bank foresee these factors or circumstances?
- iii. Did the Bank take any action to control these factors or circumstances or did it seek to isolate the results of its operations from them?

4.7 To answer these questions, the evaluation will use various data sources including interviews to stakeholders—Bank staff, government authorities, people participating in Bank operations, beneficiaries—Bank documents, readily available evaluations, and primary data when available. The evaluation report will be ordered according to the following sections: i) Development Challenges of the Country; ii) Analysis of the Programming Process; iii) Execution of the Program; iv) Bank’s Program Results; and v) Conclusions and Recommendations.

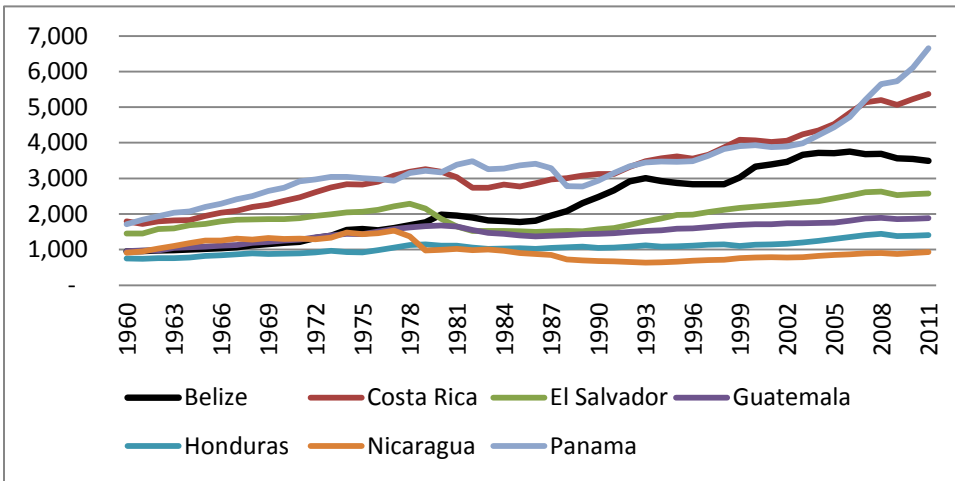
**V. ORGANIZATION AND TIMELINE**

5.1 The tasks will be carried out by an evaluation team under the leadership of Hector V. Conroy, with support from Juan Manuel Puerta, Alejandra Palma, Johanna Ramos, and Agustina Schijman. The evaluation will require a continuous dialogue with Bank’s Management and, in particular, with the Country Office Belize (CBL) in order to access a wide range of information about the context in which the operations took place and the specific execution challenges. OVE will conduct two missions to the country. Typical activities include: (i) Identifying the main aspects of the relationship between the Bank and the country during the 2008-2012 period; (ii) data collection and analysis of specific projects and sector operations; (iii) validating the desk-review analysis and visiting execution units.

The expected timeline for the evaluation is as follows:

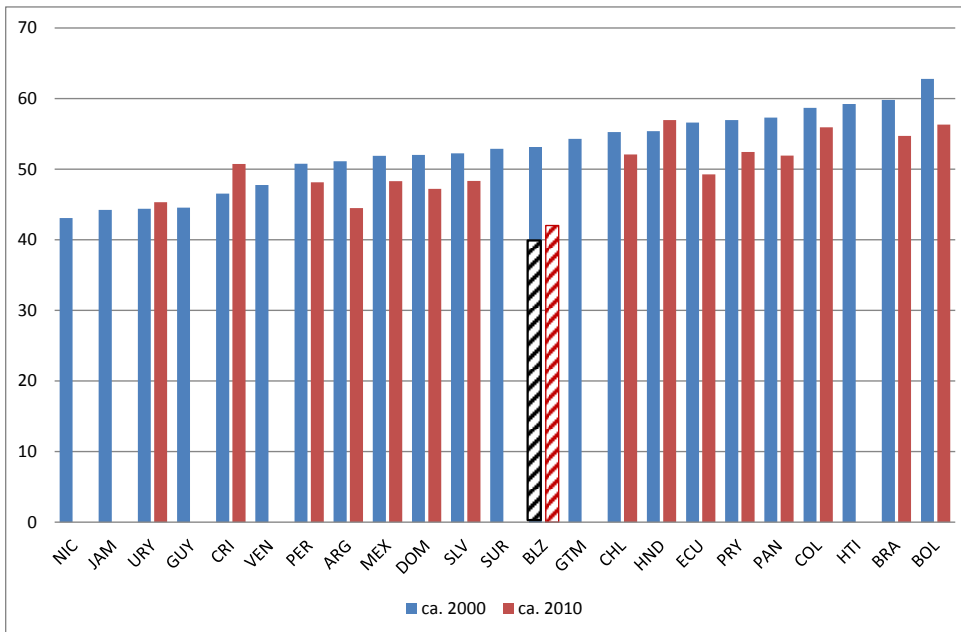
- June 18 – 25, 2012: Identification mission
- September 10 – 19, 2012: Projects evaluation mission
- October 17, 2012: First draft for OVE's internal review
- October 31, 2012: Second draft for Management's comments
- December 12, 2012: Revised draft submitted to SEC for translation
- January, 2013: discussion of CPE at the Board of Executive Directors

**Figure 1. GDP per capita (constant 2000 US\$)**



Source: OVE with data from the WDI.

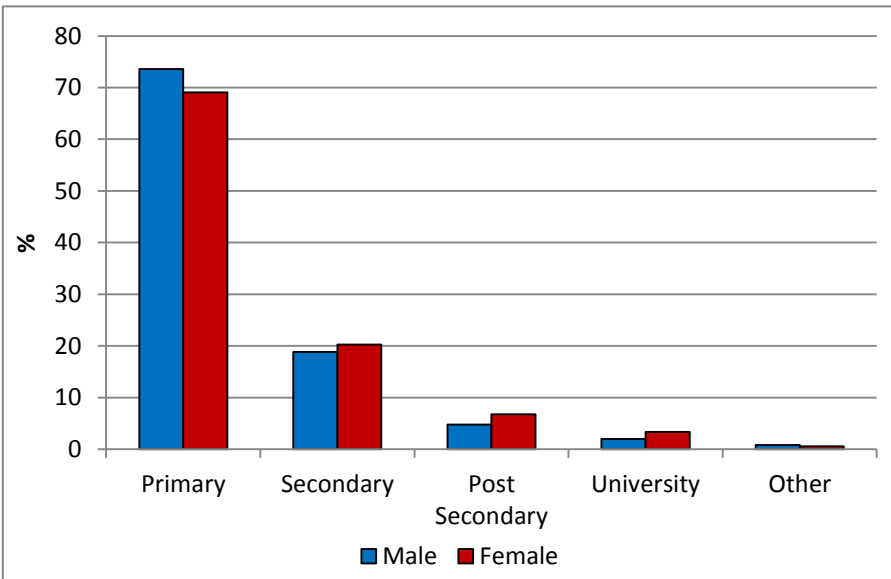
**Figure 2. Gini index**



Source: OVE with data from the WDI and Belize's Country Poverty Assessment (CPA), CDB.

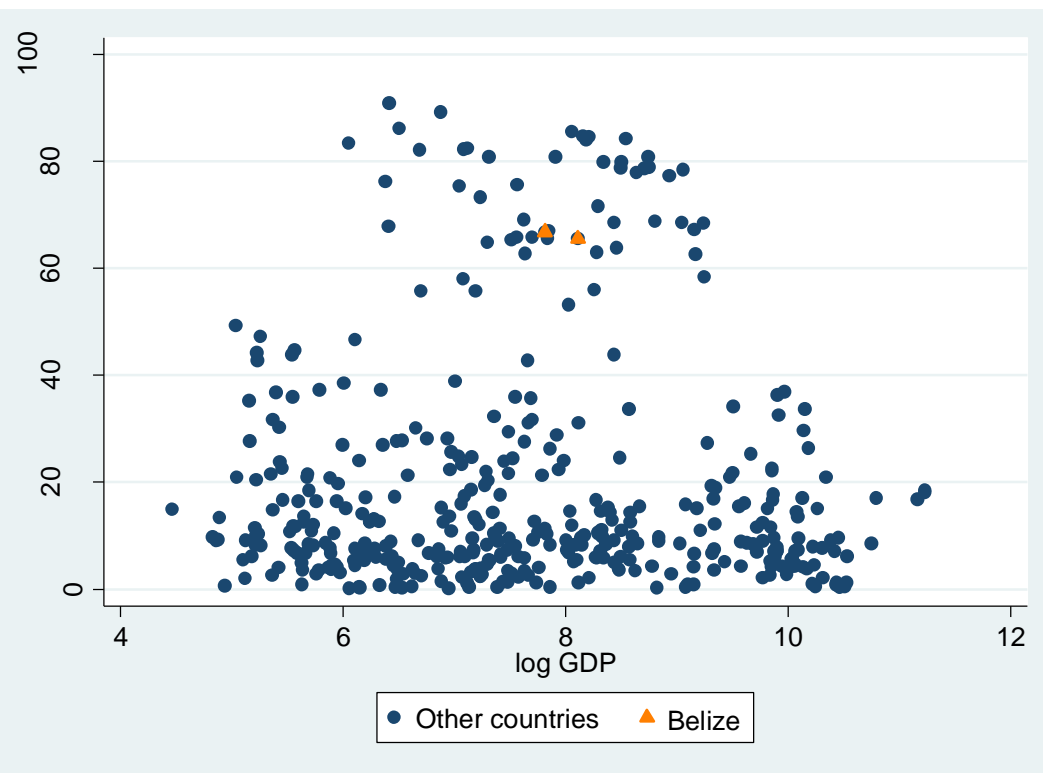
NOTE: In the case of Belize, the overlaid, striped bars represent data from the CPA for the years 2002 and 2009. All other observations come from the WDI and correspond to the years 2000 and 2010, except in the following cases: NIC 2000, JAM 1999, GUY 1998, CRI 2009, VEN 1999, MEX 2008, SLV 1999 and 2009, SUR 1999, BLZ 1999, CHL 2009, HND 1999 and 2009, PRY 1999, PAN 2001, BRA 1999 and 2009, and BOL 2008.

**Figure 3. School enrollment by level and gender, 2010**



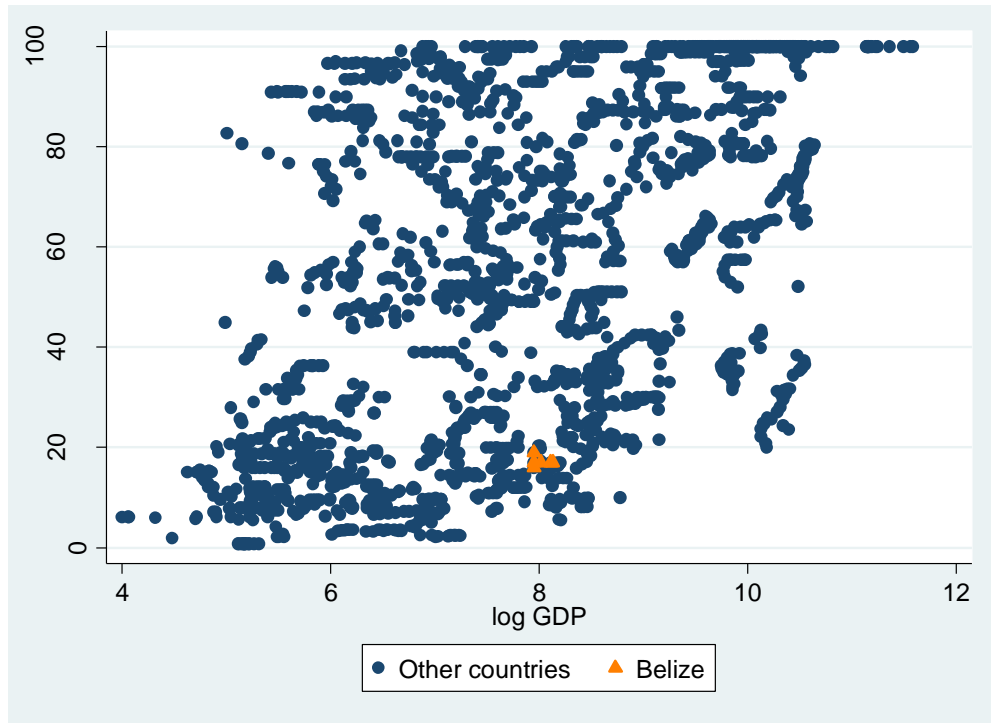
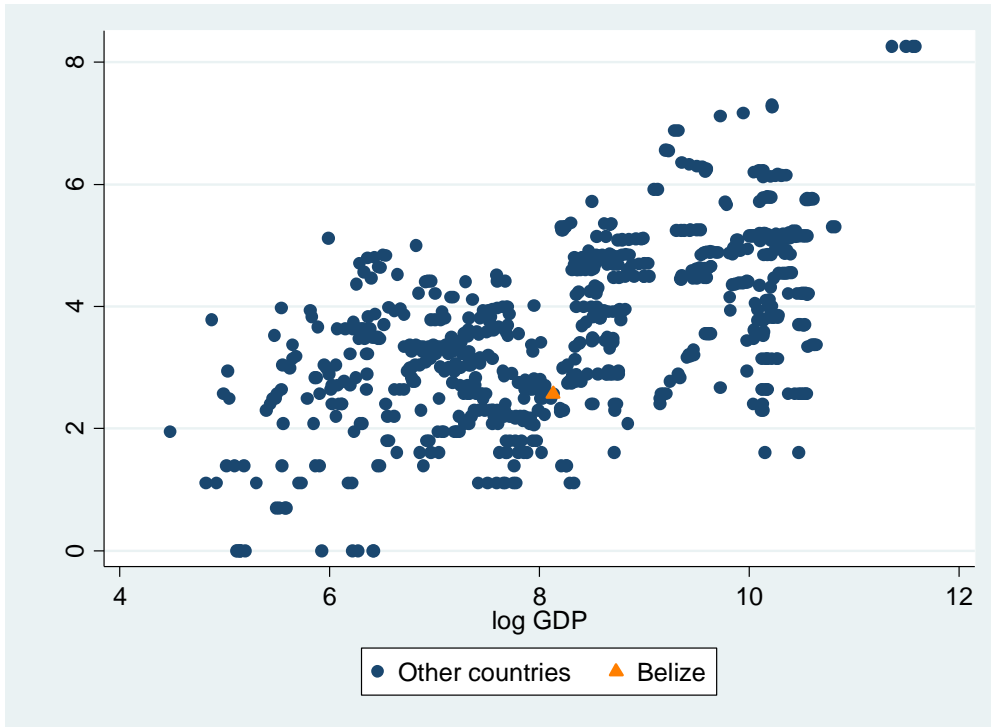
Source: OVE with data from the Belize 2010 Population and Housing Census

**Figure 4. Brain drain**



Source: OVE with WDI data.

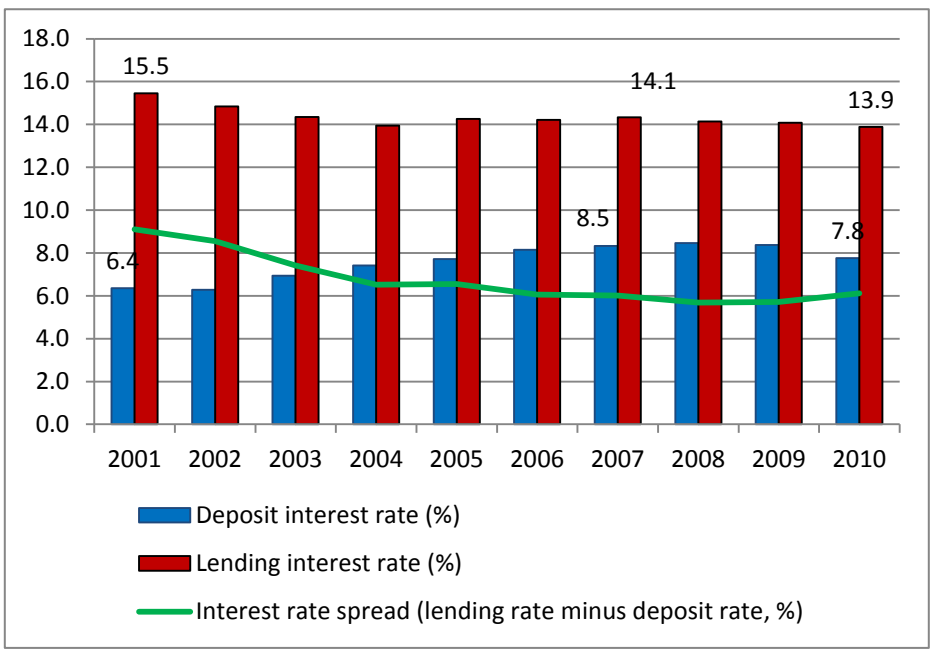
**Figure 5. Density of roads (top) and proportion of roads paved (bottom)**



Source: OVE with WDI data.

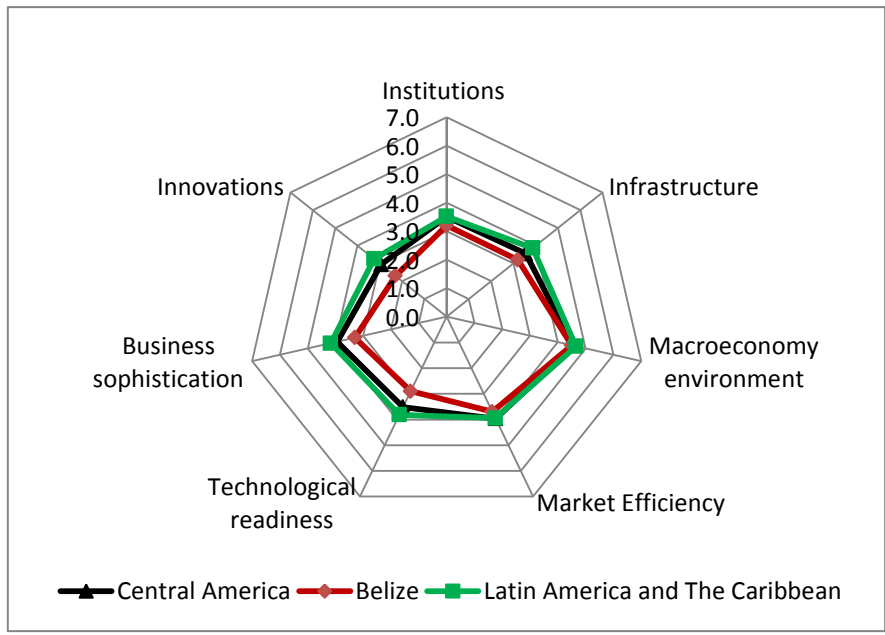
NOTE: The latest observations for Belize are from the year 2000.

**Figure 6. Deposit and lending interest rates**



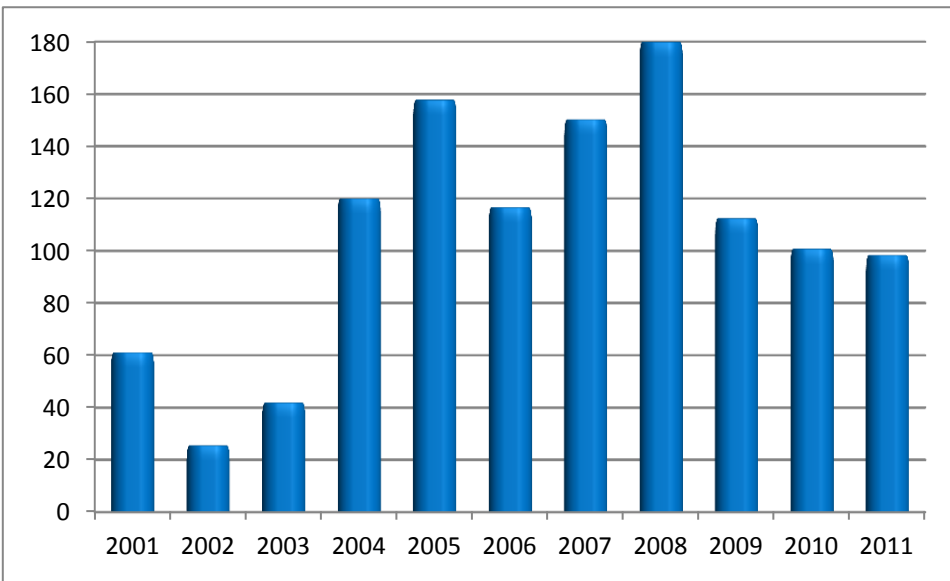
Source: OVE

**Figure 7. Relative competitiveness of Belize, 2011**



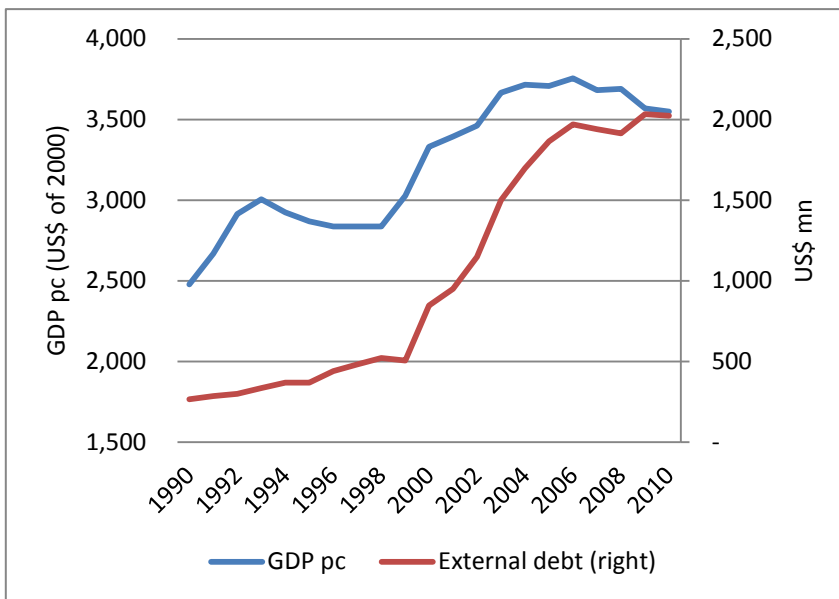
Source: OVE with data from the Global Competitiveness Report, 2011.

**Figure 8. Foreign Direct Investment (US\$ mn)**



Source: OVE with data from the Central Bank of Belize.

**Figure 9. GDP per capita and public external debt**



Source: OVE with WDI data.