



Maneuvering uncertainty

SCENARIO PLANNING IN BELIZE

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Caribbean Sea

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Introduction

While the future remains uncertain, strategic planning remains critical. Successfully navigating the constant uncertainty of the future, therefore, requires careful consideration of various future conditions, responses and disruptions. Such an exercise is essentially known as Scenario Planning. Though not explicitly aimed at reducing uncertainty, Scenario Planning makes uncertainty more visible and palatable as it prepares its users to anticipate and react to changes. Scenarios developed must be plausible, challenging and relevant narratives of future contexts in which we could potentially find ourselves and where the plans, strategies or policies currently being developed and implemented would need to prove resilient.

Dealing with uncertainty has become a way of life and the new normal for institutions such as the Inter-American Development Bank (IDB). The high speed of change, disruptions, turbulence, and ambiguity in outcomes and interpretation are not particular to Latin America and the Caribbean, yet the conditions of these states pose an added challenge to the planning and execution of our development work, including but not limited to economic volatility, unexpected political events, social unrest, natural disasters, automation and the Covid-19 pandemic.

Recognizing this, the IDB has been experimenting with the Scenario Planning methodology since 2019 in order to innovate and challenge its approach to strategic planning, as well as to enhance the agility with which it anticipates and adapts for the delivery of its mission. Belize was identified as a prime candidate that would benefit from testing and deployment of the Strategic Planning Exercise. This methodology will complement the preparation cycle work of the Country Strategy of the IDB with Belize for the period 2022-2026. It is also expected to challenge the traditional process by exploring the uncertainty in the contextual environment, but more specifically, by considering those factors which may influence IDB's work, but are out of IDB's control. Other factors, such as the small size of the Belizean economy where one single event could change the country's landscape rapidly, as well as its deteriorated economic and fiscal outlook, prompted the decision to make Belize one of the first countries where Scenario Planning was implemented.

During a process that spanned over a year, a core team comprised of an alliance of eight members from NormannPartners (a strategy consultancy), the IDB Vice Presidency for Countries (VPC) and the IDB Knowledge, Innovation and Communication Sector (KIC), conducted an operation to develop the two scenarios that are presented in this document. This process required a combination of desk and field research, with the latter executed via workshops and interviews with the participation of IDB specialists in all areas of development and more than 50 Belizean and international experts, all of whom collaboratively constructed two compelling storylines of what Belize may look like in 2030. The knowledge and insights of the experts consulted during this exercise also served to identify heightened points of vulnerability for Belize as well as reactionary approaches for the IDB and the country alike.

This document is structured in four chapters. The first chapter elaborates further on the concept of Scenario Planning and how scenarios that may be developed can be employed by analysts and policymakers. The second chapter delineates the process that was conducted to develop the two scenarios of Belize for 2030. The third chapter presents the final versions of the two scenarios and their validation process. Finally, the fourth chapter dissects the scenarios with a discussion of the most salient implications should the scenarios materialize, as well as what actions the country might introduce now to be better prepared for such events and what support the IDB, through the Country Office, could provide to aid Belize in better preparing for such scenarios.



Chapter 1

Navigating
Uncertainty
with
Scenarios

For as long as humans have been walking the earth they have been fascinated with the question: “what is going to happen next?” Whether acts of God, of nature, or of fellow humans: the ability to anticipate these, or better, foretell them, was pursued vigorously. This fascination with ‘performing foresight’ led to the development of a wide array of methods and tools of ever-increasing sophistication: reading tea-leaves or studying entrails, astrology, comparison with historical precedents, trend extrapolation, computer simulation, and big data analysis. Some of these approaches are of course more useful than others.

Nevertheless, however powerful the computers and however many terabytes of data we can collect, we have to accept that we will never be able to accurately forecast the future. The future is fundamentally uncertain. And the best leaders are those who accept this uncertainty and search for sensible ways to work with it. One of such ways is the use of Scenario Planning, which explores the wider ‘what if, and what could be’, using storytelling and the creation of ‘memories of the future’¹, which will help us recognize useful signals from our changing environment, rehearse our responses to these, and better navigate the future.

The discipline of Scenario Planning has its origins in military strategy in the 18th century, where officer cadres were trained to anticipate surprise changes in the future theatre of operations and in the potential responses of the enemy. After the second World War, it saw its first use in public institutions, still widely employed for defense issues. This was also when the term ‘Scenario Planning’ was first used. In the 1970s, oil major Shell² adopted the discipline and codified it, and thus became the birthplace for its use in the private sector. Scenario Planning is now a widely practiced, researched, and taught methodology.

NAVIGATING UNCERTAINTY

Thus, a fundamental starting point for strategists and policymakers concerned with foresight must be that *the future is uncertain*. The purpose of Scenario Planning is then to help navigate that uncertain future more successfully. Scenario Planning is explicitly not aimed at *reducing* uncertainty, but at making uncertainty more visible and at learning to embrace it. And crucially, although scenario planning may help with dealing with risks, it focuses as much attention on identifying opportunities. It works with deep uncertainty rather than just with risk.

Scenario Planning deals with more than just uncertainty: at the University of Oxford, where scenario planning is researched³ and taught, the concept of TUNA is used to describe contexts characterized by Turbulence, Unpredictable uncertainty, Novelty and Ambiguity. It is with organizations in such contexts where scenario planning can make a real difference.

It is important that the client of a Scenario Planning process, the decision maker that maneuvers uncertainty, considers themselves a *learner* as scenario planning works as a trigger to institutional learning. Decision makers’ inner models of reality are always constructs and “the scenario process is aimed at these perceptions inside the mind [to give decisionmakers] the ability to re-perceive reality, leading to strategic insights beyond the mind’s reach.”⁴ Scenarios are therefore never the end-product; they are a scaffold supporting us as we construct a stronger organization, to be removed or replaced when it has done its job. What should remain is scenario thinking as a process.

WHAT ARE SCENARIOS?

Scenarios are plausible, challenging, and relevant narratives of future contexts in which we could find ourselves; alternative contexts in which the plans, strategies or policies we are deciding upon

1 Ingvar D. H. (1985) “Memory of the future”: An essay on the temporal organization of conscious awareness. *Human Neurobiology* 4:127-36.

2 M. Jefferson, Shell scenarios: What really happened in the 1970s and what may be learned for current world prospects, *Technological Forecasting & Social Change* (2011), doi:10.1016/j.techfore.2011.08.007

3 <https://www.sbs.ox.ac.uk/oxford-answers/scenario-planning-answer-turmoil>, accessed 23 oct 2020.

4 Joseph Jaworski, “Synchronicity, the inner path of leadership”, 1996, p140

now will need to play out well. They contrast usefully with the assumed (or hoped-for!) future that a decision maker already has in mind, either explicitly or implicitly, and which influences their decisions and actions. Scenarios work by providing alternative vantage points (e.g. points in the future) from which we can 'look back' at the present and also at current dilemmas, options strategies and policies. Doing this opens our minds and reframes our interpretation of our context.

To be able to navigate uncertainty and turbulence we use charts and maps. Scenarios are like maps of places not yet visited by the mapmaker; of realms not yet captured in photos, reports, or information: such maps of the future can only be incomplete and 'incorrect'. But, crucially, scenarios are not meant to be correct or accurate; only *useful*. Just like the Mercator projection, which represents area sizes incorrectly, but is useful for navigation.⁵ To the traveler decision-maker, scenarios provide points of view from which they can derive new insights about the efficacy of their current strategy and policies.

Scenarios are not forecasts; forecasts focus on single-point outcomes. And when forecasts are most needed, they are the least reliable. Why? Forecasts are based on models, on simplified views of 'how the world works', trained with *historical* data. But, as argued earlier, there is no data for the future; only data from the past! Thus, when we find ourselves in a time of accelerated change; when values or behaviors shift; when correlations between variables break down; then, naturally, these models fail.

Attempting to attach probabilities to scenarios is confusing scenarios with tools for *reducing* uncertainty, instead of what they are: tools for *engaging* with uncertainty. Probability belongs to the realm of risks, where probability density functions live, and where we can enumerate and describe ranges of outcomes – the world of insurance, spreadsheets and Value At Risk. Meanwhile, scenarios describe plausible developments and future states with the purpose of using these to learn and improve decision-making processes. They deal with deep uncertainty.⁶

WHY SCENARIO PLANNING?

Although Scenario Planning can certainly be used to articulate *desired states of the world*, and encourage bridge-building and collaboration between disparate stakeholder groups (see for example the work done with scenarios in post-Apartheid South Africa⁷) the IDB uses scenarios in the non-normative way of exploring "what could happen?" and "how should we react?", rather than exploring "what would we like to happen?"

'Anticipation of future changes' could be used to characterize the *core purpose* of scenario planning. A more expansive list comprises: the systematic understanding of our context ('sense-making'); appreciating different values and world views; having courageous conversations; testing for robustness of strategies, options and policies; financial risk management⁸; identification of new options and ideas; and dialogue with stakeholders.⁹ It would go beyond the scope of this paper to illustrate each of these in detail.

THE SYMBIOTIC RELATIONSHIP BETWEEN THINKING AND ACTION; BETWEEN SCENARIO PLANNING AND STRATEGY

Scenario Planning is distinct from designing strategy or policy. Nevertheless, Scenario Planning is never "an end in itself but connects with other organizational processes,"¹⁰ such as strategy and

5 Drenth, G. & McGinley, C. (2020). Scenario planning in a crisis. *Professional Marketing*, (28) 1, 4-5

6 For a deep analysis and unpacking of the relation between probability and plausibility see Ramirez & Selin (2014), Plausibility and probability in scenario planning, in *Foresight* 16(1): 54-74

7 GBN. The Mont Fleur Scenarios. What will South Africa be like in the year 2002? *Deeper News* 7 (1)

8 J. Butcher, N. Turner, and G.D. Drenth, "Navigating in the Midst of More Uncertainty and Risk," in *Journal of Applied Corporate Finance*, Fall 2006

9 Wiek, A., Binder, C. & Scholz, R.W. (2006). Functions of scenarios in transition processes. *Futures* 38(7): 740-766. doi:10.1016/j.futures.2005.12.003

10 Ramirez, R. & Wilkinson, A. (2016). *Strategic Reframing: The Oxford Scenario Planning Approach*. Oxford: Oxford University Press. Page 167

policy-making, capability development, or risk management. Organizations that have turned scenario planning into a cyclical process, rather than a product, are the ones that see the highest returns on their investment. In such organizations, policy-making and scenario planning live side-by-side as parallel processes that inform and influence each other on a continuous basis.

SCENARIO PLANNING AS A SUPPORT TO TRANSITIONS IN SUSTAINABLE DEVELOPMENT

Scenario Planning can play a special role in the design and execution of sustainability transitions, such as feature in many development bank's portfolio. This is particularly true for transitions where the 'best course of action' with respect to organizing society, economy, organizations, and individual lifestyles in a more sustainable manner is not easy to determine or depends on value judgements. For example, development economic theory may favor a particular approach that may run into social or political obstacles stemming from the diversity of values, preferences, normative judgements and varying criteria for 'success'. To help bridge this, the scenario practice "facilitates holding courageous, forward-looking conversations about uncomfortable choices, disparate world views and values, uncertainties and unknowns."¹¹

Framing the design and deliberation of alternative approaches to addressing development needs in alternative scenario contexts and ensuring that various stakeholders (e.g. technical experts, public servants, civil society representatives etc.) actively engage in this conversation increases the buy-in and support. *Scenarios* encourage that multiple and sometimes irreconcilable viewpoints and opinions are articulated and discussed, in a participatory process that "embraces complexity, contingency, contradictions, uncertainty and ignorance."¹² Finding the 'correct' approach to sustainable development challenges is a wicked problem, which requires a systemic and process-oriented approach, with iterative learning, in diverse groups of affected actors, and requires to be adaptive, participatory, and trans-disciplinary.¹³

From a strategy and policy point of view, using scenarios to frame and socialize development programs increases the chances of such programs being executed well and meeting the desired objectives.

SCENARIOS IN USE

Applications of Scenario Planning are manifold. At one end of the spectrum organizations use it to stress-test the robustness of their strategy and policies. This use can be embedded in strategic processes by making it a mandatory step in the yearly budgeting and planning cycles. Scenarios are used to inspire the development of new ideas or offerings, or alternative approaches to reaching objectives. At the other end of the spectrum we find uses of Scenario Planning to build bridges to engage productively with other stakeholders, to build norms or change the culture after big changes (for example after difficult mergers or as performed most famously in South Africa after the end of Apartheid). And in between these there are applications in technology planning, visioning, capability assessments, risk management, human resource development, early-warning systems and horizon scanning, and many more.

The IDB has used scenarios for sketching alternative contexts for countries to determine robust country plans; to make better sense of complex issues such as migration, identification systems, and citizen participation; and also to develop responses to immediate challenges such as the Covid-19 pandemic, or changes in the financial landscape.

11 Gerard D. Drenth, Shirin Elahi and Ariane König, "Exploring alternative futures with scenario planning", Chapter 6 in *Sustainability Science, Key Issues* (New York: Routledge, 2018), 113-132

12 Ibid.

13 Wals, A.E.J. (2015). *Beyond unreasonable doubt: Education and learning for socio-ecological sustainability in the anthropocene*. Second Inaugural address held on December 17th, 2015 upon accepting Personal Professorship in Transformative Learning for Socio-Ecological Sustainability. Wageningen: Wageningen University



Chapter 2

Construction of the Scenarios

Dealing with uncertainty has become a way of life and the new normal for institutions such as the IDB. The high speed of change, disruptions, turbulence, and ambiguity in outcomes and interpretation are not particular to Latin America and the Caribbean (LAC), yet they pose an added challenge to the planning and execution of our development work: economic volatility, unexpected political events, social unrest, natural disasters, automation, Covid-19, among others.

Recognizing this, the IDB has been experimenting with the Scenario Planning methodology since 2018 in order to innovate and challenge the way we approach strategic planning, enhancing our ability to anticipate, adapt in an agile way and deliver our mission. The Bank has also used scenarios to trigger strategic discussions around key issues; to generate intelligence on market changes and risk management; and to formulate and test strategic options and plans. Each manifestation of our scenario practice is grounded in the definition of a specific use and purpose, and the definition of a user (or learner) for the set of the scenarios.

In the IDB's emerging Scenario Planning practice we discovered many additional benefits, including providing a safe space in which we can challenge the assumptions on which we have built our view on the future of a certain issue; giving rise to more courageous conversations; developing new options and tools for action; as well as helping reach consensus around uncertainties.

SCENARIO PLANNING AND COUNTRY STRATEGIES

IDB Country Strategies guide the IDB's institutional priorities and programming with its client countries.¹⁴ They are built based upon a rigorous economic and sector diagnostic process that is captured in the Country Development Challenges study (CDC) that precedes it.¹⁵ The publication *BIDeconomics* summarizes the findings of the CDC studies and is publicly available for consultation.¹⁶ Country Strategies are designed to match the terms of incoming governments, hence, planning from the present for the medium term. By deciding to experiment with Scenario Planning, we set to challenge the traditional process and, through it, explore and engage with the uncertainty present in the contextual environmental, that is, those factors which may influence IDB's work in the country, which come together and interact through forces beyond our direct control or will (e.g., macroeconomics; climate change; crime, etc.). We purposefully set out to explore these factors, reframe our perspective and understanding of the country, build alternative long-term futures, and explore their implications, the risks, and opportunities for IDB's new Country Strategy in Belize.

Along with Trinidad and Tobago, Belize was chosen as one of the first two countries where the IDB implemented Scenario Planning. In addition to complementing the preparation cycle work of the IDB CS with Belize 2022-2026, which started in 2020¹⁷, having Belize as one of the pioneers of the Bank's work with Scenario Planning responded to several factors. Among them is the fact that Belize is the country with the third smallest population among IDB country members and it has the smallest economy.

¹⁴ The objective of the CS is to establish a strategic framework to guide the IDBG operational support during the CS period. This document reflects an agreement between the country and the IDBG regarding the priorities, development objectives and expected results to be achieved with the contribution of both the inherited portfolio and projects approved during the CS period (IDB Country Strategy Internal Protocol, 2019). IDB Country Strategies are available at: <https://www.iadb.org/en/about-us/country-strategies>

¹⁵ The Country Development Challenges (CDC) is an independent evidence-based diagnostic aimed at identifying key challenges that hinder a country's inclusive and sustainable growth as well as the areas that could produce a higher development impact given the main constraints identified (IDB Country Strategy Internal Protocol, 2019).

¹⁶ IDB (2020). *BIDeconomics Belize: Developing a Sustainable, Resilient and Inclusive Belize*. Available at: <https://publications.iadb.org/en/bideconomics-belize-developing-sustainable-resilient-and-inclusive-belize>

¹⁷ The IDBG Country Strategy with Belize (2013-2017) prioritizes education, tourism, transportation and trade and tax policy. Following the completion of the one-year transition period, the CS was extended to December 2019. A CS Update that includes (together with the current areas), citizen security and climate change and disaster risk management as priorities for the IDBG, was approved and is valid up to December 2021, to align the next CS 2022-2026 with the election cycle.



Therefore, any development in Belize, whether it materializes in the form of an economic reform, a large investment, or a climate event, could drastically change the outlook of the country rapidly, making the exploration of these potential triggers through Scenario Planning a powerful instrument to guide the long-term view of the Bank's strategy with the country.

Additionally, Belize was the only country in Central America to register a decline in its real GDP per capita in the last decade and has experienced chronic low economic growth over the last 15 years, after decades of economic growth that exceeded that of the LAC economies. This not only raises questions about the causes leading to economic stagnation but demands to reframe the way the IDB operates in Belize to provide effective assistance to rekindle growth.

Another factor that characterizes Belize is its high vulnerability to natural disasters, and the dependence of its two major economic sectors, namely agriculture and tourism, on natural resources. Weather associated natural disasters not only affect economic activity and compromise fiscal sustainability, but its negative impacts are more severely felt by poor people. The adaptation and mitigation to climate change is complex and requires the coordinated action of the Government and the society, and the investigation and development of innovative solutions to prevent and manage natural catastrophes. This makes the implementation of Scenario Planning especially attractive to investigate the potential impact of future events, but also alternatives for the country to tackle climate change.

Finally, Belize is a young country in many regards. Only recently has it celebrated 40 years of independence, but it is also one of the countries with the youngest population, with a median age of 24 years. Although the nation faces great economic and social challenges, the country's uniqueness, from its Mayan heritage to its vast terrestrial and marine biological diversity, including the world's second largest barrier reef, and its cultural diversity, with people of Mayan, Creole, European, Garifuna, Mestizo, East Indian and Chinese descent, offer a great potential for development. Scenario Planning could complement the Bank's analysis of the approaches that could rekindle growth and promote the economic and social welfare of its citizens.

Hence, in the context of the CS process for Belize, the purpose of the Scenario Planning was to facilitate a strategic conversation within IDB on how to enhance its value added to the country and be better prepared for emerging challenges. By setting a time of horizon of 10 years down the line, 2030, the process allowed us to take a longer-term view, compared to the one traditionally taken in the preparation of country strategies; and exploring not one, but multiple future contexts in which Belize plausibly might find itself in. From those futures, we took a look back at today and asked ourselves: What are the implications of those futures for IDB's work in the country and how can we prepare now to be adaptable and respond quickly to the potential changes that might emerge in the country? We strived to reframe our views by exploring the key uncertainties that Belize faces by 2030, gathering information and widening our spectrum to understand the external context and build a set of scenarios or set of stories to better inform our work.

THE PROCESS

The different stages of the scenario planning process were undertaken throughout 14 months, in person and virtually, given the onset of the Covid-19 pandemic.

Figure 1. Stages of the Belize Scenario Planning Process



Source: Selin, Cynthia (2013), Stages of Scenario Planning Process. Oxford Scenarios Programme (used with permission).

The starting point of the initial phase of the process was the analysis of the contextual environment to identify the possible changes that might be beyond our control; identifying factors (issues, trends, ideas, etc.) that might unravel in the future horizon. For this, we embarked on a series of actions, specifically a *Kick-off Workshop* and a series of interviews that would help shape the research agenda; placing special interest in factors that had a high level of impact and uncertainty for the country.

KICKOFF WORKSHOP

A Kickoff Workshop was organized in October of 2019 in Washington, D.C., with more than 20 IDBG specialists. All participating Bank specialists were selected based on their experience working with Belize, along with technical knowledge and sectoral expertise considered relevant to the scenarios. At this early stage, the team identified the key questions and scope that would later drive the entire process. Through a collaborative approach, a research agenda was developed to dive deeper on the following themes, explore the factors of uncertainty under each and divergent outcomes:

- 1. Macro, Fiscal and Debt Restructuring:** Belize is a small export-based economy dependent on tourism and agriculture, whose growth has been stagnant over several years. Could the economy be diversified? What other sectors could be strengthened besides tourism and agriculture? How can the country go back to a sustainable fiscal path? How will the country debt be paid in the coming years?
- 2. Tourism and Sharing Economy:** The tourism sector has witnessed impressive growth in recent years, what should be the top reforms in sustaining tourism that contribute to economic growth? What is the type of tourist that will visit Belize in the future? Will productivity in the tourism industry improve by the emergence of the “sharing economy”?
- 3. Agriculture:** Climate-Smart Agriculture can contribute to Belize’s agricultural development goals, what will be the Climate Change effects on agriculture? How will consumer demand evolve?
- 4. Climate Change:** The coastal country is particularly vulnerable to the effects of climate change, what might be the extent and pace of the climate change impact in Belize in the next 10 years? Will private sector investment be mobilized to address this issue? Should policy focus on mitigation and/or adaptation?
- 5. Digital Economy and Technology:** The digital revolution provides opportunities for sustainable growth and development, what impact will digital transformation have on the region and the country? Will there be institutional capacity to regulate technology? Can it be done at national level?

6. **Crime and Drug Trafficking:** Belize City is among the top 10 cities in the world for homicides¹⁸, what is the impact of crime in tourism? What is the approach that would be needed in the future to fight against crime?
7. **Education and Skills:** The effective use of technology might help fill the existing knowledge gaps; how will the digital economy redefine education and/or learning? In this rapid evolving world, what will be the skills needed?
8. **Migration and Ethnic Identity:** There might be new sources of migration entering the country, is Belize becoming a migration destination? What might be the future of the United States migration policy, will it provide more stability or volatility to Belize? Is there absorptive capacity of country resources?
9. **Rural and Urban - Spatial Inequality:** Rural is the new urban, with the looming effects of climate change, private sector entities i.e. tourism sector will move to rural areas to further develop the inland eco-tourism industry. How fast will rural areas adopt technology?
10. **Institutional Capacity and Corruption:** There is a need to strengthen capacity and build trust in the public sector, how much political will exists to address corruption and improve institutional capacity? What might be the full impact of weak public institutions and corruption?
11. **Territorial Dispute:** The territorial dispute with Guatemala will be resolved at the ICJ in The Hague: what will the judgement be? What might be the impact of a ruling in favor of Guatemala?¹⁹
12. **Key Players, Partners, and Civil Society:** There is a need to strengthen engagement with Key Players /Partners/Civil Society, who will be the major actors in the future? What is or should be civil society's role in Belize? How do we get the private sector involved?
13. **Trade:** The economy is highly import-dependent to produce goods and services, how can the country diversify goods exports? How to add value to the exports of tourism services? What is Belize's regional integration options? Could China or India become relevant trade partners?
14. **Financial Sector:** Technology fuels financial inclusion, what is the strength of the regulatory framework to support financial innovation? Will the country have the human resource to facilitate financial transformation?

LISTENING TO EXTERNAL VOICES: REFRAMING

To delve deeper into understanding the identified factors and how they might unfold in the future, a series of virtual interviews with subject matter experts²⁰ were conducted. A group of 15 Belizean stakeholders from the private sector and civil society (non-IADB employees) were interviewed to gather their thoughts on what the most important drivers or events in the past have shaped Belize's landscape and, more importantly, what we might see over the next 5-10 years. What is likely to stay the same in the country? What will change? What are the **uncertainties** and what are the **assumptions** about the future we might be making that should be challenged?

18 Belize Community Gang Assessment. September 2019. <https://publications.iadb.org/en/belize-city-community-gang-assessment>.

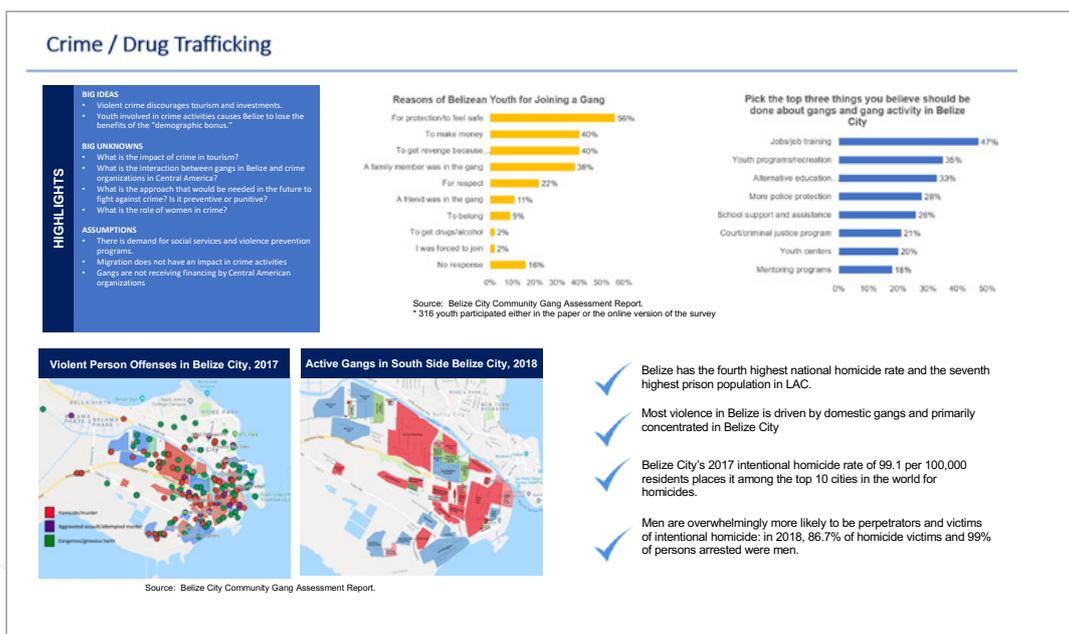
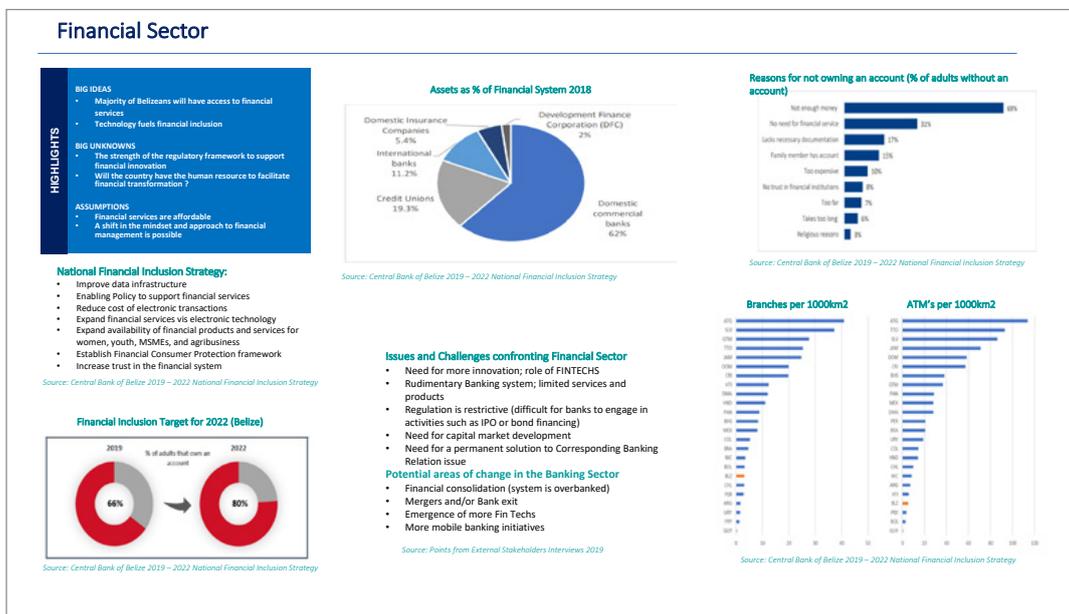
19 The Belizean-Guatemalan territorial dispute is an unresolved territorial dispute between the states of Belize and Guatemala. In 2019, Belize and Guatemala took their boundary dispute to the International Court of Justice (ICJ) after it was decided by the people of both countries that this was the best course of action to resolve a centuries old dispute. On April 22, 2020, the ICJ extended the due dates for briefs from both countries about the matter, due to the COVID-19 pandemic's interference in their preparations. Guatemala's was due December 8, 2020 and Belize's is due June 8, 2022.

20 Areas of expertise included: civil society, private sector (non-tourism), trade/CARICOM integration, SMEs, agriculture, crime and violence, local government (municipal and village council), digital government, financial banking system, governance, technology, climate change and coastal resilience, tourism and education.

The main ideas were gathered in a **“Chorus of Voices”**, a document where anonymity was respected but viewpoints were clearly expressed. The ideas that emerged from the interviews provoked new ways of thinking about the country and served as a brainstorm of a wide spectrum of issues that was used as input to generate the compelling narratives.

In addition to the interviews, desk research was conducted to dive deeper into the identified factors. The research included data collection and cross-referenced information, which was later presented as posters and factor cards. These posters and factors cards were used in the *Scenario Building Workshop* as input for the inductive scenario construction process, where participants were asked to ‘go around the room’ and internalize the information present in the posters, and later use the factor cards as input for the construction of system diagrams that detailed plausible future stories.

Figure 2. Sample poster and factor cards





SCENARIO BUILDING WORKSHOP

The scenario building exercise took place over a two-day workshop in December 2019 in Belize City, where the IDBG sector specialists working on Belize joined 13 local Belizean stakeholders with alternative viewpoints (of which half were not part of the groups of Belizean stakeholders initially interviewed), representing a diverse set of sectors and actors. In the workshop, participants were encouraged to immerse themselves in the desk research and the survey results that had been compiled during the initial stages of the process. As the workshop progressed, participants addressed courageously some controversial and, at times, uncomfortable subjects. Using the desk research and the survey results as input, along with their vast knowledge and viewpoints of country issues, the participants collaboratively generated initial **proto-scenarios**. These *proto-scenarios* -or short stories- combined different factors into system diagrams capturing a logic of how these factors could interact in the future for Belize.

A total of eight *proto-scenarios* were developed by the participants and later presented and combined, generating five broader, more cohesive narratives that touched upon the main aspects of Belize's contextual environment. Following the completion of the workshop, the core team thoroughly reviewed the five *proto-scenarios*. By dissecting the five narratives, the team noticed that some of the critical elements in the stories were shared among the stories, including: key players, challenges for the government, triggers for change, economic reforms, and dominant technologies. The team was able to take these elements and combine them into two compelling stories that became the set of scenarios for the future of Belize in 2030. During this process, the team was careful to maintain and merge those elements that were critical to the shorter stories as a way to narrow down to the two powerful scenarios presented in this document.





Chapter 3

Scenarios:
Sketching Belize
in 2030

The process described in the previous chapter resulted in the first version of two scenarios depicting the future of Belize in 2030. When the stories were detailed and fully developed, we hosted a validation session with some of the Belizean stakeholders who had participated in collaboratively building the narratives in the Scenario Building Workshop. The session took place in the IDB Country Office in Belize in February of 2020 with the objective of presenting the scenarios and receiving feedback. The consistency of the stories was put to test, comments were received that helped improve the scenarios logic and initial conversations on the future of Belize generated interesting insights for our work.

COVID-19 OUTBREAK

Shortly after the first validation session, the World Health Organization (WHO) declared the novel coronavirus (Covid-19) outbreak a global pandemic. Over the past year, the Covid-19 pandemic, more than any other event in recent history, has made evident the importance and need for countries and institutions like the IDB of using tools such as Scenario Planning to design strategies under a range of potential futures. Particularly, the application of Scenario Planning in Belize showed that all the development challenges identified in the two scenarios developed pre-pandemic, were only exacerbated with Covid-19. That is, even when the pandemic brought new challenges to overcome the sanitary and economic emergency, the outbreak of Covid-19 did not fundamentally change the structural challenges identified in the original scenarios.

Recognizing the impact of the pandemic on Belize, which has been one of the tourism-dependent economies most impacted by Covid-19 in the world, the potential effect of the outbreak was incorporated in both scenarios. Its inclusion responded not only to the need of presenting plausible and relevant scenarios, but also to consider the undoubted long-term implications that the pandemic could have in the future of the country.

VALIDATION WORKSHOP

To further fine tune the credibility and suitability of the scenarios, new versions were presented to two different audiences. First, a virtual workshop using a digital workspace for visual collaboration was organized in August of 2020 to collectively discuss both scenarios with the 20 IDB specialists that participated in the Kick-off workshop. During the workshop, the specialists were tasked to organize the various issues presented within the scenarios according to Belize's three main challenges that are identified and used to guide the CDC in order to ensure that the scenarios remained relevant and plausible. After incorporating those elements raised by the specialists' assessment, amended versions of both scenarios were presented to a new group of eight Belizeans (including from the diaspora) and international experts, that were selected based on their expertise in different disciplines.²¹ Each specialist was virtually and independently interviewed using a structured interview format. Final versions of the scenarios were then developed that closely considered the feedback and contributions from both internal and external experts. The final versions are presented in the boxes below.

As mentioned in chapter 1, Scenario Planning is not "an end in itself but needs to interface with other organizational processes." Hence, the presentation of the two scenarios in this chapter will enable us to grasp how they were finally employed in the following chapter.

²¹ Only two members of this group had participated in previous activities to build the scenarios.

SCENARIO 1: UNBELIZEABLE RECOVERY

The year is 2030. After a series of social, political, economic, and environmental shocks that plagued Belize and pushed citizens' trust in institutions to its lowest level in the early 2020s, signs of optimism are finally starting to emerge. Gallup Polls have started to show sizable improvements in citizens' perception of transparency as levels of corruption decreased tangibly, owing to newly strengthened leadership, which resulted in an improved economic and social outlook, and personal well-being for the country.

Tourist arrivals shrank from one million to less than 150 thousand in 2020 in the wake of the impact of the Coronavirus pandemic on the tourism industry. The government felt confident that tourism was going to have a speedy comeback, but slow recovery of the visitors from the United States, the main market for Belize, and structural changes in travel preferences owing to the pandemic, delayed a full return to the increasing numbers experienced pre-Covid-19. Faced with declining revenues from the tourism sector, the country's main driver of economic growth, the government decided to expand tax collection efforts and take on more debt. Low economic growth and high public debt continued undermining the government's credibility and complicated access to international markets.

Additionally, following the loss of Correspondent Banking Relationships (CBRs) in 2015, the already vulnerable financial system was impacted by new revisions of global regulatory standards and prudential regulations. This disrupted Belize's economic stability even further, affecting key transactions in the tourism sector, international trade, foreign direct investment, and remittances. As previous agreements with external bondholders were not able to restore fiscal sustainability, the dramatic deterioration of the economic situation led the Government to sign a program with the IMF to adopt a credible and tailored plan to bring debt to a sustainable path by the end of a five-year period while minimizing the overall impact to social indicators.

Heightened tax collection efforts soon provoked political interference, as authorities were unable to provide appropriate social safety nets to support vulnerable populations. Procurement scandals involving senior public officials, who diverted resources from much-needed social investment, triggered public outrage and reduced citizen's trust in governmental institutions. Alongside increasing poverty, inequality and an explosion in crime and violence, social discontent reached a tipping point in 2023, with fierce protests in Belize and Belmopan cities. Meanwhile, deportation of Belizeans remained relatively high as the immigration reform approach to deportations continued being the biggest immigration challenge. This also prompted an increase in immigration from the Northern Triangle to Belize, resulting in reduce remittances, strained public service provision and increased violence.

As the country faced very limited fiscal space for several years, investments in sustainable infrastructure dwindled. Perhaps more importantly, tourists visiting Belize focused mainly on beach and nature-oriented destinations, such as Ambergris Caye, to avoid the risk of contracting Coronavirus as the newly developed vaccine remained inaccessible to part of the population. However, photos of improper solid sewage management on Ambergris Caye surfaced on social media in 2023, prompting new technical studies that revealed a deterioration in water quality near popular beaches and in the nearshore marine

environment. Considerable damage to the coral reef was also detected, posing severe health hazards that deterred American and European tourists. Together with elevated crime and violence, the U.S. decided to raise the travel advisory level from “exercise increased caution” to “reconsider travel”.

To top it all off, on November 2023, amidst all the social, political and economic turmoil, Belize was hit by Hurricane Pedro, the strongest hurricane to make landfall in its recent history. The category 5 hurricane, with wind gusts of 225 miles per hour and storm surge of 20 feet, critically destroyed or damaged the country's essential infrastructure, including hospitals, main highways, government buildings, schools, as well as the fossil fuel supply and electricity generation and transmission infrastructure that were already debilitated from previous natural disasters. The islands of Ambergris Caye and Caye Caulker suffered significant beach loss, with devastating damage made to the Belize Barrier Reef. Agricultural production was badly affected, creating food shortages. More than 1,000 lives and 4% of the housing stock were lost, leaving thousands of Belizeans homeless. The loss in economic activity and infrastructure was estimated at 25% of GDP.

A rather unexpected ruling by the International Court of Justice (ICJ) for the territorial dispute with Belize and Guatemala was ill received and compounded the predicament. The sheer unpreparedness of the government for this outcome and the overall lack of a long-term vision for national priorities were the main sources of outrage among the general populace.

In the aftermath of the hurricane, frustrated by the government's lack of action to address key long-standing challenges, including deteriorating living conditions but also emerging planning and its failure to deliver on its international agreements including COP25, which exacerbated the negative impacts of the storm, Belize's social partners (private sectors, civil society and unions) with the support of new social actors (University students and youth organizations) demanded a national reconstruction plan to address the social, environmental, and economic collapse. Use of social technology - inclusive of all social media outlets, images, videos, and other forums - helped to organize and document the social discontent and environmental damage in the country. This was fundamental in stimulating a “Time to Change” movement, which drove media protests and rallied support across the population, demanding sound measures to address the economic, social, and climate change issues. The increased social pressure paralyzed the country and the government, faced with unprecedented tension from international global figures and the international development community, launched an encompassing reform agenda. The Time to Change movement led by a highly acclaimed group of educated youths evolved into a new party, which ended the two-party system and led to sweeping political and economic reforms in 2024.

Belize's interest in political and economic reform resulted in the growing representation of a new party, comprised of enterprising young Belizean professionals, who received public support owing to their success at influencing the new reform agenda. This new party launched its own agenda called “Preserve and Protect the Jewel” targeted at sustainable and inclusive green growth, digitalization, national accounting for natural capital, and promotion of the blue economy. This paved the way for a more benevolent view of Belize by the international community, and increased support for the country's transformation, particularly from the United Kingdom and other Commonwealth countries, in a post-



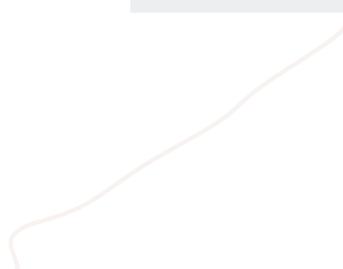
Brexit era. This set the stage for increased support in the transition, financing productive investments, and favoring debt restructuring talks. Global governance institutions and philanthropists took a renewed interest in Belize. Encouraged by institutional progress and more engaged citizen participation, diaspora and private investors turned to Belize to finance new economic ventures, especially in the ICT sector, as the pandemic led to a surge in digital services, that helped diversify the economy. This pushed the country to orient its education sector towards the development of necessary skills to match increasingly sophisticated demand and better equip the labor force.

After three years, the IMF program started to yield positive results and faster GDP growth supported fiscal sustainability. Backed by additional fiscal space and private investment, the country started making much needed investments, particularly in climate-resilient infrastructure in the tourism and agriculture sectors. These investments helped to reduce the volatility of the output product, enabling the establishment of synergies between the country's main industries. Less explored touristic destinations and experiences were also placed at the forefront as preferred by tourists interested in the country's unique cultural and biodiversity heritage.

Belize agreed to rejoin Transparency International's rankings in 2027, and consistently reported improvements in governance and transparency for five consecutive years. A new generation of young policymakers promoted ambitious fast-track reforms that incorporate technology to modernize the economy and build a digital society to increase transparency, trust, and efficiency, particularly within the education and healthcare sectors. Helped by its small size, Belize made great progress relatively quickly. Now, in 2030, nearly one third of the citizens have an ID card, taxes can be completed online in less than two days, and 70% of all public services are available online. Reduced bureaucracy and the streamlining of administrative processes has facilitated business in Belize and boosted the development of the private sector. The ICT sector contributes to at least 3% of the workforce, with almost 100 start-ups launching pilot projects to test digital solutions for climate resilience. The country is on its way to extending these reforms to the areas of e-education and e-health in order to protect the lives of its still young population, as birth rates begin to decline with stable death rates.

Civil society, first the driver of change, and with strengthened and upheld measures for transparency, now includes new actors that are trusted partners of public institutions that are continuously enhancing service delivery and accountability. Addressing climate change is now a priority, paving the way for rebuilding and sustainably diversifying the tourism sector once deemed impossible as new international and domestic markets are tapped into through the promotion of Belize's unique and exclusive take on experience-oriented tourism.

It is 2030 and for the first time over three decades, the existence of a strong national consensus over Belize's future enables the country to undertake the long-awaited discussion on drug legalization, regarding its promised positive externalities for the economy as a niche sector. Positive results are improving Belize's ranking on Google's Sustainable Doing Business Index and many other competitiveness indexes. Though the economy has fully recovered from the cumulative loss to national GDP owing to the Covid-19 crisis and Hurricane Pedro, the average growth rate has exceeded that observed in the previous decade over the past five years as Belize's future looks promising and recent reforms begin to bear fruit.



SCENARIO 2: REACHING ACROSS THE AISLE

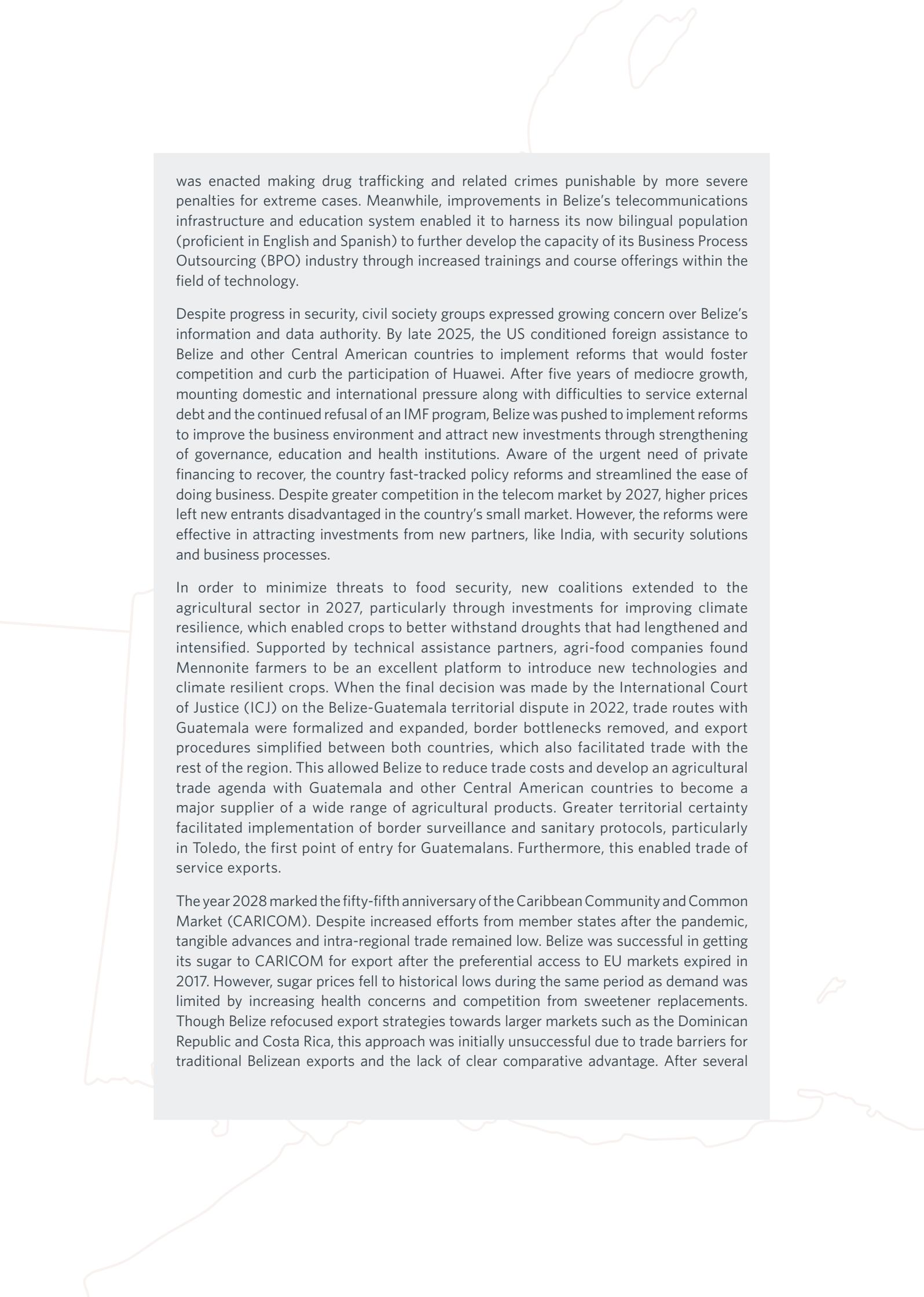
The year is 2030, and new coalitions have put Belize on a path to raise its long-run rate of growth to improve the lives of its people and put external debt servicing on a more secure basis.

By 2020, Belize had experienced the worst crisis in its history due to the impact of Covid-19 on the tourism industry. Pressured by the rate of unemployment and collapse of economic activity, Belize relaxed lockdown measures by October and re-opened its borders to tourists in an attempt to reactivate the economy. Despite employing the “safe corridors” strategy, imported Covid-19 cases caused a spike in infections and resurgent community spread. As foreign direct investment (FDI) was concentrated in the tourism sector, inflows contracted sharply in 2020 and 2021.

During this time, migratory flows from Central American countries through Belize to Mexico and toward the southern US border escalated owing to decreased income and food security associated with the pandemic. The continued closure of the US border due to the health crisis triggered a surge in crime rates as migrants were unable to access basic services and job opportunities. This was further compounded by the government’s reprioritization of resources towards the health and economy and away from security, law and drug enforcement. Due to lockdowns, increased difficulty for drug traffickers to transport their products northward exacerbated this situation, resulting in heightened violence as conflict between criminal organizations for control of the supply chain intensified. In Belize, murders rose from 134 murders in 2019 to 350 in 2021, while the number of drug-related homicides recorded a record high 60% increase.

With elevated crime and violence compromising recovery across Mexico and Central America, countries were unable to take individual action, prompting government and business leaders to convene in December 2021 for a virtual forum called “Fronteras Seguras”. This forum served to coalesce around a common agenda of growth, integration, employment, and the fight against illicit drug trade. To promote growth and leverage their position as a block, members committed to developing a coordinated strategy for the penetration of new markets, particularly in Asia, with products niche to the region. A cornerstone of the commitments was greater coordination based on investment in digital transformation and the interoperability of national identities, health, customs and law enforcement systems to address the vulnerabilities exposed by the Covid-19 pandemic. Despite good intentions, advances towards reform remained constrained as FDI in the region remained low until 2023 and commitments could not withstand the electoral cycles. Instead, smaller-scale ad-hoc coalitions arose at the regional level, leaving Belize to turn to now recovering global actors to fill investment gaps.

In 2024, BTL upgraded to the 5G network via Huawei and Belize became the first Central American country to join Mexico in rolling out nationwide 5G. A digital identification system laid foundations for the citizen security programs enforced by the Belize Police Department and the Belize Defense Force. Digital identity facilitated the installment of security programs aimed at combating drug trafficking and slashing crime rates, delivering substantial results by 2025. Additionally, a reform in the Belize Criminal Code



was enacted making drug trafficking and related crimes punishable by more severe penalties for extreme cases. Meanwhile, improvements in Belize's telecommunications infrastructure and education system enabled it to harness its now bilingual population (proficient in English and Spanish) to further develop the capacity of its Business Process Outsourcing (BPO) industry through increased trainings and course offerings within the field of technology.

Despite progress in security, civil society groups expressed growing concern over Belize's information and data authority. By late 2025, the US conditioned foreign assistance to Belize and other Central American countries to implement reforms that would foster competition and curb the participation of Huawei. After five years of mediocre growth, mounting domestic and international pressure along with difficulties to service external debt and the continued refusal of an IMF program, Belize was pushed to implement reforms to improve the business environment and attract new investments through strengthening of governance, education and health institutions. Aware of the urgent need of private financing to recover, the country fast-tracked policy reforms and streamlined the ease of doing business. Despite greater competition in the telecom market by 2027, higher prices left new entrants disadvantaged in the country's small market. However, the reforms were effective in attracting investments from new partners, like India, with security solutions and business processes.

In order to minimize threats to food security, new coalitions extended to the agricultural sector in 2027, particularly through investments for improving climate resilience, which enabled crops to better withstand droughts that had lengthened and intensified. Supported by technical assistance partners, agri-food companies found Mennonite farmers to be an excellent platform to introduce new technologies and climate resilient crops. When the final decision was made by the International Court of Justice (ICJ) on the Belize-Guatemala territorial dispute in 2022, trade routes with Guatemala were formalized and expanded, border bottlenecks removed, and export procedures simplified between both countries, which also facilitated trade with the rest of the region. This allowed Belize to reduce trade costs and develop an agricultural trade agenda with Guatemala and other Central American countries to become a major supplier of a wide range of agricultural products. Greater territorial certainty facilitated implementation of border surveillance and sanitary protocols, particularly in Toledo, the first point of entry for Guatemalans. Furthermore, this enabled trade of service exports.

The year 2028 marked the fifty-fifth anniversary of the Caribbean Community and Common Market (CARICOM). Despite increased efforts from member states after the pandemic, tangible advances and intra-regional trade remained low. Belize was successful in getting its sugar to CARICOM for export after the preferential access to EU markets expired in 2017. However, sugar prices fell to historical lows during the same period as demand was limited by increasing health concerns and competition from sweetener replacements. Though Belize refocused export strategies towards larger markets such as the Dominican Republic and Costa Rica, this approach was initially unsuccessful due to trade barriers for traditional Belizean exports and the lack of clear comparative advantage. After several

years of failed attempts, Belize seized the opportunity of more pro-trade Governments in those countries and began to export various products, including poultry, organic cacao, and luxury wooden furniture. Soon after, strategies to improve transport linkages were explored as trade flows increased.

Belize's government pursued a more intense and strategic trade cooperation and investment agenda with Mexico. Abandoning the Corozal Free Zone, the government signed a Partial Scope Agreement (PSA) with Mexico in late 2024. By 2028, Belizean exports to Mexico rapidly grew to comprise a US\$150 million market. The PSA also promoted Mexican investment in Belize, particularly in tourism, offering a value-proposition built on a sustainable, immersive, cultural and eco-tourism Belizean experience, similar to the Riviera Maya, and consistent with the enhanced sustainable tourism agenda developed after the Covid-19 pandemic backed by global sustainability leaders, but unique to the country.

Global investors found the all-inclusive generic resorts in Mexico less appealing. As tourism preferences were reshaped by these factors, the Belizean tourism model became less dependent on traditional factors such as favorable weather or beach quality and started leveraging the innate advantages of its in-land natural attractions, jungle, cultural, archaeological attractions and agricultural products. A new "Mayan Corridor" connecting Mexico and Belize was created in 2027, attracting domestic visitors as well as Mexican tourists and those from the larger European market as linkages between the two major industries enabled more competitive prices. Furthermore, it attracted investment towards blue economy industries. For instance, Belize benefited from the experience that SICA and CARICOM member states have in renewable energy, and even learned to efficiently control the large masses of seaweed, which became normal during the late 2020s. The explosion of sargassum and its reutilization for energy purposes led to the sophistication of agriculture exports and the development of new industries that further served to secured Belize's global reputation as a natural and green destination. Functional cooperation with Mexico extended to other areas such as education and technology. Facilitated by digital platforms, the cooperation at the tertiary level enabled Belizeans to attend some of the outstanding Mexican universities in those disciplines of great interest to Belize, including computer sciences, engineering, medicine and veterinary studies, geology, tourism and the management of environmental resources, that better aligned with the needs of the business sector.

It is now 2030 and as a small economy, new coalitions are allowing Belize to expand not only the trade of goods, but also export services to Asian and European markets not explored before. Policy reforms and flows of financing have provided fiscal space for the country for debt servicing. Increasing FDI in strategic sectors has enabled Belize to diversify the economy and explore new markets in sectors where the country has comparative advantages, potentially the cacao industry, agro-processing capacity and experience-oriented tourism. However, public investment has yet to follow into the social sectors as education and health systems continue to await reform and inequality persists. Despite the improvement in citizen security, new forms of organized crime in the region, like cybercrime, attracts unemployed youth. Digital transformation has brought new challenges as well, such as data privacy and the widening digital gap.



Chapter 4

Putting the
scenarios
to use

The previous chapter answered the question **“What could happen?”** by laying down two possible scenarios that describe potential developments in Belize in the next decade. In this chapter, the objective is to answer the second question: **How should we react?** Of course, a key and salient factor in responding to this question is clearly defining the parties that should be considered crucial for reactionary action. In other words, defining the “client” of the scenario planning process. The universe of actors that could potentially be users of the scenarios is wide, including the country’s main stakeholders, such as labor unions, business charters, civil society, or even environmental groups. However, in this Scenario Planning exercise, specific emphasis is placed on two actors: the IDB and the Government of Belize (GoB).

As discussed in chapter 2, the IDB expects that the Scenario Planning Exercise will constitute an additional tool to identify the most important challenges in the country and open a new form of engagement both within the institution as well as with all the stakeholders in the country. In particular, the Scenario Planning Exercise will also serve to complement the Bank’s work during the cycle of the IDB’s Country Strategy (CS) with Belize for the period 2022-2026, which will identify the priority areas that the Bank will support in Belize. The IDB started the preparation cycle for the CS in 2020 with the elaboration of the CDC exercise, which prioritizes the development challenges hindering the country’s growth and provides policy recommendations to overcome them, marking the completion of the first stage.

As the CDC highlights those areas that could produce a higher development impact given the country’s main constraint, it constitutes the main instrument employed by the Bank as it engages with the Government to design the new CS. After the CDC is completed, its findings are summarized in the *BIDeconomics*, which stresses the main messages derived from the analysis to inform the IDB Country Representative’s policy dialogue with the country. In this context, the Scenario Planning exercise will complement the challenges identified in the CDC and the strategic policy recommendations to be used as inputs for the dialogue with the country authorities. However, it is expected that Scenario Planning will go beyond, as it shows the cascade of developments that could follow these challenges in the coming years. In this sense, the power of Scenario Planning during the CS process will be in its capacity to deliver a clear long-term vision of plausible developments in the future to guide the Bank’s work in the following years.

For the GoB, Scenario Planning may serve as a new tool for long-term strategic thinking. As explained in chapter 1, Scenario Planning could be used to frame and socialize the development challenges in the country, which could increase the chances of implementing policies to address them and facilitates the dialogue about how different scenarios would impact the country. Even though this document presents two plausible scenarios about the future of the country, one of the primary objectives of implementing the Scenario Planning Exercise is for other scenarios to eventually be developed, with the intent that when the GOB recognizes the advantages of this methodology, it is employed during the policy-making process on a regular basis.

SCENARIO IMPLICATIONS

To answer the question of how these two actors, the IDB and the Government, should react to the scenarios presented in chapter 3, a two-pronged approach was explored. First, an implications workshop was organized with IDBG specialists to ask them about the type of support the Bank could provide if the scenarios were to unfold and new and innovative financial instruments that could potentially be used to assist the country. Second, semi-structured interviews were conducted with the Belizean and international experts that participated in the Validation Workshop to gather their reflections on how to the Government and the IDB can be better prepared to respond to the scenarios if these were to materialize.

INSIGHT FROM IDB SECTOR SPECIALISTS

The implications workshop with IDB Sector specialists was structured following the challenges identified in the CDC. This organization helped to understand the interaction between the CDC and the scenarios and provided a framework for the Bank specialists to provide their insights. The following box presents a summary of the diagnosis, prioritization of challenges and recommendations in the CDC for the reader to understand the framework under which the implications workshop was conducted. For more information, the summary of the CDC can be consulted in the *BIDeconomics*.²²

COUNTRY DEVELOPMENT CHALLENGES

The CDC presents a comprehensive analysis of challenges and opportunities for promoting inclusive and sustainable development in Belize on a sectoral level, where rekindling faster, sustained economic growth is arguably one of the country's most significant development challenges.

The unprecedented hit of the Covid-19 pandemic has added pressure to an economy with characteristically low growth, and dramatically transformed Belize's economic and social outlook. Reigniting economic growth that is sustainable and inclusive, as well as removing structural bottlenecks, requires addressing three priority areas categorized here as pillars. These pillars are: (i) Anchoring fiscal policy for growth, (ii) Transforming the export sector through diversification, integration, and innovation, and (iii) Providing social protection and skills to shape the future.

Belize's Development Challenges

Development challenges to achieve sustained and inclusive growth

1 Anchoring fiscal policy for growth

The country needs to create fiscal space, with particular emphasis on enhancing spending efficiency to protect the poor and invest in education. The government's commitment to implementing a sustained program of fiscal consolidation after COVID-19 is essential to avoid debt-distress situations.

2 Transforming the export sector through diversification, integration and innovation

In a context of limited fiscal resources, the export sector is a key engine of growth for Belize. However, Belizean exports are concentrated in few agricultural products and tourism destination that have been dependent on trade preferences and few export markets, making them highly vulnerable to domestic and external job.

3 Social protection and Skills to Shape the Future

The COVID-19 pandemic will have a severe impact in poverty and inequality indicators, given the loss of employment and livelihood. To recover, Belize will need to correct the mismatch between the skills needed by the labor market and the skills imparted to student and graduates.

22 IDB (2020). *BIDeconomics Belize: Developing a Sustainable, Resilient and Inclusive Belize*. Available at: <https://publications.iadb.org/en/bideconomics-belize-developing-sustainable-resilient-and-inclusive-belize>

Anchoring fiscal policy for growth

Poor performance in economic growth and high exposure to external shocks have led to a tightening financial condition and weather associated natural disasters have compromised fiscal sustainability. Despite recent efforts, budgetary inflexibility has increased, with consistently high public wage bill and debt service ratios, and public debt has remained on a rising path.

The space of further increases in tax rates is limited as the tax burden in Belize is already high. Hence, additional income tax measures should be oriented to broadening the tax base by phasing out exemptions on General Sales Tax (GST) and excises and tightening tax incentives. Belize presents several deficiencies in the quality of public spending in terms of technical efficiency. Weak public expenditure management institutions and allocative inefficiencies are behind these deficiencies.

Recommendations

Reforms should focus on the implementation of a set of changes to increase fiscal institutional capacity, such as (i) strengthening macro-fiscal management, (ii) improving budgeting, (iii) implement a fiscal rule as an instrument to consolidate public finances; (iv) strengthening payroll spending control and efficiency, (iv) strengthening public procurement management and (v) control and maintain tax administration strengthening. Belize should also work on tax revenue and expenditure plans that are consistent with restructuring scenarios by a clear strategy on debt management and annual objectives.

Transforming the export sector through diversification, integration and innovation

The export sector could be the main engine for growth in a scenario of fiscal austerity, but it is vulnerable to internal and external shocks and is concentrated in only two sectors, namely tourism and agriculture. At the same time, few destinations concentrate the influx of tourists while agricultural exports are highly concentrated in only four groups of products, which have been characterized by lack of dynamism, sharp reduction in their prices, and exposure to crop diseases. Belizean exports are focused on few markets, namely the U.S. and Canada, with limited integration with neighboring regions that is coupled with a heavy reliance on import tariffs and discretionary tax incentives. A major challenge is to diversify to other high-potential industries, such as the ICT sector, which may also be linked and integrated into other sectors to strengthen resiliency.

The private sector plays a key role in Belize's development given that it is the main source of employment and consumption. However, there are constraints to private sector growth that hinder its expansion, including access to credit and information, challenges to doing business, infrastructure bottlenecks, especially with regard to telecommunications, electricity, and water services, and other allocative inefficiencies that affect the real economy. E-government and the digitalization of the productive sector is key, but the digital transformation is lagging, as reflected in the slow and fragmented implementation of the GoB's National E-Government Policy and Strategy. Additional reforms, including digitalized administrative records, comprehensive cybercrime laws are necessary for the efficient deployment of digital services and to increase interoperability throughout the government.

Recommendations

Some of the recommendations in the CDC for this pillar include (i) the development of a strategy for the tourism sector that incorporates the evolution of Covid-19, implementation of sanitary measures, and improving the availability of information necessary for policy decisions needed revamp the touristic business model through improved understanding of tourism demand trends

through the creation of an intelligence business unit; (ii) expand and diversify cultivated services to increase production and variety of crops, enhance competitiveness and boost sales revenues; (iii) enhancing credit access to attract external financing along with the establishment of a credit bureau; (iv) improve the business climate by establishing an Electronic Single Window for investors and traders to expedite business procedures and reduce paperwork; (v) opportunities for optimizing the private sector include development of a centralized capital market, institutional improvements in the electricity (including renewable energy), water, and sanitation sectors, updating the telecommunications regulatory framework and support for near-shoring and other trade-related opportunities and (vi) facilitate transactions with digital payments and mobile money systems.

Social protection and skills to shape the future

Belize does not have a consolidated social protection strategy. There is a lack of information sharing between programs in the existing system, low coverage with minimal redistribution effects and weak updating of data for evidence-based policymaking. Concerning the health sector, surveillance and testing are key to address the pandemic, particularly considering the tourism inflows and migration, as well as the strengthening of hospital infrastructure and integration of care services, and the development, training, and retention of health workers. Meanwhile, the significant impact to be faced by Belize's labor market requires implementing strategies to reskill and upskill the labor force to protect employment and seize this opportunity for economic diversification. The education and training system has not responded adequately by developing high quality and relevant skills on demand. Employers demand STEM skills, but the workforce is trained predominantly in social sciences. Finally, while there are issues related to social protection that contribute to the country's security, creating a more secure Belize cannot be solved by simply improving social protection as specific interventions are needed.

Recommendations

During the emergency period, ensuring access to basic health care, supporting levels of income and consumption to vulnerable populations, guaranteeing women's safety, preventing further destruction of employment and school dropouts are some of the recommended policies. In the transition period, Belize needs to ensure the organization of health care services, consolidate the data of all beneficiaries in a single social registry, continue supporting the consolidation of distance learning, provide incentives for hiring and retraining workers combined with access to fast, certifiable, and high-quality training programs, improve data collection to target resources for citizen security and mainstream violence-prevention measures across all government programs. As the economy recovers and people re-enter the labor market, the training programs for upskilling and reskilling must be adjusted to meet the needs of the new economy, post-Covid. The safety net can be scaled down and labor market policies can focus on intermediation and new training policies and programs.

As previously mentioned, Bank specialists were asked a number of questions:

1. What is the type of support that the Bank could provide if the scenarios were to unfold?

Pillar 1. Anchoring fiscal policy for growth

Specialists agreed that both scenarios emphasized the country's extreme lack of fiscal space to stimulate economic activity. Specialists also highlighted the need to establish mechanisms to return to a sustainable fiscal path, including the design of a fiscal rule.

Belize's high dependency on fiscal revenues from the tourism industry was also emphasized. Consequently, the establishment of new trading partners and markets to support new investments as well as diversification within promising sectors, as presented within the *Reaching Across the Aisle* scenario, were identified as critical elements. Additionally, specialists discussed the need to reform the tax system to remove those taxes that discourage exports.

In order to address the challenges identified within this pillar, specialists suggested that support from IDB would be most impactful in the form of aid for strengthening tax policies, as well as through collaborative efforts with BELTRAIDE to attract investors to new and upcoming sectors and streamlining the processes for trade and investment. Specialists also suggested to increase collaboration between the IDB and IMF to develop a program that considers social elements in order to improve Belize's deteriorated fiscal outlook without compromising social well-being.

Pillar 2. Transforming the export sector through diversification, integration and innovation

Specialists noted that the most critical implications arising in both scenarios included Belize's vulnerability to climate events along with a lack of diversification within the tourism and commodity export sectors. Consequently, the urgent need to harness opportunities presented by the ongoing Covid-19 pandemic to move towards increased digitalization was emphasized. Furthermore, the IDB specialists identified the urgency for diversification towards other industries and the need to identify potential industries as well as to reinforce the capabilities of the workforce, the business environment, and the existing infrastructure to do so.

To support this movement, it was proposed that the IDB assist the Government in developing an integrated, comprehensive, and specialized tourism strategy aimed at diversification of the tourism industry through innovation, increased entrepreneurship, and support for MSMEs. It was also posited that further investment in marketing and the improvement of information flows, as well as standards of quality would enhance overall performance of the tourism product. Meanwhile, the agriculture industry may be supported through extension services that strengthen climate resilience.

Social protection and skills to shape the future

The most salient implications from both scenarios identified by IDB specialists included the need to develop human capital in Belize in order to improve the current skills mismatch between the labor force and promising industries, particularly the ICT sector. Specialists expressed that only through improved human capital development, as well as a significant change to the political process, could change be mainly driven by civil society, as presented in the UnBelizeable Recovery scenario. Furthermore, in order to address the protests, as well as migration flows emphasized in the UnBelizeable Recovery scenario, specialists posited that a social protection system is paramount.

In this context, the IDB could support the adoption of a digital social protection system with benefits linked to residency rather than labor market status. This would serve as a social registry to improve inclusive access to social services. Other suggestions for this pillar included training in relevant fields to increase productivity using blended learning models that merge physical and digital spaces aimed at employees of sectoral ministries. Investment in the health sector was also put forth as a means to improve the country's testing and vaccine capacity given the ongoing Covid-19 pandemic.

Cross-cutting issues

Lastly, the IDB specialists were asked to consider other critical areas for Belize's development, including climate change, gender, diversity and digitalization. Like the other pillars, the Bank specialists highlighted Belize's need for a comprehensive digital strategy that considers interoperability to reduce bureaucracy for more efficient and inclusive provision of public services. It was also suggested that gender equality be promoted through targeted national budget allocations that can improve women's participation in the formal sector. Along the same lines, it was recommended that further research be done on Belize's informal sector in order to better understand the causes and circumstances that lead people to avoid the state. Finally, climate resilience was again emphasized, as the *UnBelizeable recovery* highlighted the country's lack of preparedness for disaster reconstruction.

2. Which could be the financial instruments or technical assistance the Bank could use to assist the country under these scenarios?

Anchoring fiscal policy for growth

Specialists suggested increased collaboration between the IDB and the Government to design debt restructuring products that are consistent with tax revenue and expenditure plans. It was also suggested that the IDB could take on a greater role in assisting the Government with the negotiations with private creditors for debt restructuring. An innovation could be for the Bank to support the creation of a fund for climate-change related events that would disburse contingent loans and operate at a regional level. As for the debt crisis, specialists suggested that the Government could be supported through access to funding linked to natural capital.

Transforming the export sector through diversification, integration and innovation

The IDB could support Belize by developing a predictive model of touristic demand from the outbound market, as well as investments to improve marketing and data collection.²³ Tourism demand should be cornerstone of the strategic planning for the sector, particularly in the Covid-19 context, as having a solid market intelligence strategy could facilitate a faster recovery, investment attraction and access to finance. Specialists proposed more access to climate-smart agricultural resources to increase the agricultural sector's productivity while reducing environmental impacts and building resilience to threats to production induced by the effects of climate change. The IDB could also provide technical assistance to re-purpose the free-zones to facilitate regional economic development. By identifying the current problems and priority sectors for investment opportunities, free-zones could become a pole for attracting investments and drive economic growth. Specialists mentioned the implementation of Yozma-like venture capital to leverage public money to attract private investment as a potential initiative to explore in Belize.²⁴ Finally, in order to develop new promising sectors (for instance Business Processing Outsource (BPO) clusters), it was suggested that the IDB provides support for development of facilities to encourage clusters of activities, which stimulates learning and attract the relocation of specialized skills.

²³ The IDB recently developed a predictive model of the touristic demand in the COVID-19 context by outbound market in Barbados. For more information, please consult the IDB publication "*Modelo predictivo de demanda turística internacional en el contexto del COVID-19: Una aplicación en Barbados.*"

²⁴ Yozma was a venture capital initiative that leveraged public money to attract private investment in Israel. Between 1993 and 1998, the government offered to provide 40% of the money offered by private investors in combined funds, supporting more than 40 companies. The value of Yozma increased from US\$100 million in 1993 to US\$250 million by 1996, and the project is regarded as a rare example of government venture capital success.

Social protection and skills to shape the future

Specialists highlighted the urgency of improved employment profile tools, skills training and job matching mechanisms and employment services. The Bank could explore the development of an education and innovation fund, results-based financing schemes for startup funds and technical assistance to guarantee access to human resources and know-how. Bank specialists also proposed to extend technical assistance to develop a modern, digital and inclusive social protection system. Particularly, the IDB could provide assistance to consolidate data of all beneficiaries in a single social registry. As part of such initiative, the Bank could assist Belize to improve digital identification and regularization of migrant populations to increase access to social services. This could be done through IDB grant facilities to expand the scope of existing loan operations. It was also suggested that the IDB could lead inclusive consultations with civil society (youth, NGOs, migrants, religious groups, women, among others) and the Government about the most pressing social challenges and demands.

Cross-cutting issues

As part of the efforts to increase digitalization, Bank specialists suggested designing specific programs to nurture digital talent that would be directed at vulnerable groups. As vulnerable populations are more likely to be excluded from the digital economy and therefore from the workforce, digital literacy programs should specifically address their needs. Another proposal was to incorporate gender-based budgeting as a mechanism to ensure greater consistency between social and economic policies through the application of a gender analysis to the formulation and implementation of government budgets. With regard to the informal sector, the development of a plastic bank was suggested as a way to reduce poverty and stop ocean plastic. The Bank could also provide assistance to develop a national plastic bank to incentivize plastic waste collection that individuals can trade for money, items or services, to create work opportunities for people in the informal economy. Ultimately, innovative financing instruments that may be considered to address climate change included debt for climate swaps, guarantees for digital ventures, blue/green bonds, and specialized programs to attract venture capital.

INSIGHT FROM BELIZEAN AND INTERNATIONAL EXPERTS

As previously stated, both the Belizean and international experts that participated in the Validation Workshop, were consulted through semi-structured interviews. Experts were invited to reflect on actions the country could take presently to be better prepared for events described in the scenarios and what the IDB, through the Country Office, could do to improve support provided to aid Belize in better preparing for the future.

These reflections were grouped in the key areas of concern for the Belizean society and economy that were addressed in both scenarios.

Macro-fiscal

External experts agreed that both scenarios aptly highlighted the need to addressing Belize's fiscal instability and reducing public debt. The external experts suggested that the Government should seek assistance from multilaterals for the implementation of a tax policy reform that would include mechanisms to facilitate export investments. To support these efforts, external experts reiterated similar sentiments to that of IDB specialists, where improved collaboration between the IDB and other development partners, such as the IMF, may serve to develop a program where the social impact of fiscal consolidation may be

minimized. This will make such program more attractive to the government and, thus, more likely to succeed.

Citizen Trust and Participation

The external experts expressed that, given the relatively low degree of trust in the government institutions in Belize, strengthening citizens' trust through increased transparency, citizen participation and tangible action is paramount. For this to transpire, data sharing and data privacy policy must be prioritized along with increased public consultation in order to broaden communication networks and stimulate dialogue for problem-solving. To support these efforts, it was suggested that the IDB widen its consultation process, develop and upgrade its existing mechanisms to engage civil society more proactively and systematically, strengthen partnerships with local governments, and prioritize investments in data collection and analysis.

Climate change risks and economic resilience

Insights from specialists indicated that climate change risks and economic resilience linkages are not well understood in Belize and its citizens are not sufficiently sensitized on the impact of their individual, as well as collective actions, on future generations. To remedy this, external experts suggested that the government should engage in more meaningful conversations with vulnerable settlements, particularly with those near the coast, on how they can begin thinking about future generations. It was suggested that emphasis be placed on motivating young people, who may be more open-minded, to become more environmentally conscious citizens and consumers. The younger population may also be more easily incentivized to migrate inland in order to reduce vulnerability to storms and other climate change damage. To support these efforts, some specialists suggested that the IDB foster the strengthening of ICT platforms to incentivize young professionals to stay in Belize, and minimize brain drain.

Private sector perspective

Enabling the government to create an environment conducive to business creation and development of regional value chains is crucial to achieve sustained growth. Reducing the bureaucracy burden to the private sector can foster market entry, business expansion and growing entrepreneurship. Experts expressed that expanding training to the private sector on designing market access strategies could start to stimulate a more export-oriented mentality. Another challenge highlighted by experts was that entrepreneurship and innovation are not part of the current mindset in Belize. To support this, the Government could improve education quality and access as an effective tool to create a better trained and more strategic private sector. As for the IDB, the experts suggested supporting knowledge building through the provision of relevant training, such as market access strategy, entrepreneurship, trade and innovation, which may be made more accessible through the Internet.

Territorial dispute

The experts reflected that, although the territorial dispute between Belize and Guatemala remains a sensitive topic for Belizeans, dialogue must shift beyond the legal issues of the dispute and more towards how the borders can be optimized and regional integration strengthened. Furthermore, efforts should be placed towards public sensitization and education on the risks and implications for both a favorable and unfavorable ruling.

Tourism investment and the Belize brand

According to the external experts, if Belize's marketing efforts emphasize a health, wellness, and eco-friendly oriented environment, linking the tourism and health and wellness sector may be a viable avenue for exploration, which could also serve to diversify its tourism industry. Nevertheless, the external experts expressed that Belize's brand remains undefined and its potential underutilized. It is important to establish a clear brand for Belize that highlights its unique people, cultures, and natural environments. Furthermore, given the ongoing Covid-19 pandemic, Belize now faces the challenge of having to reduce personal contact, while still delivering a satisfactory tourist experience.

Experts posited that for tourism to remain viable, focus must be placed on improving country's institutions that may signal stability to potential investors. Strengthening the institutions and governance of the sector would be the most effective way to design and implement a sector strategy needed to catalyze Belize's positioning as an attractive destination, not only for short term tourism purposes, but for law firm engagement, retirement, and as a global leader in rainforest conservation, etc.

Diversification within the tourism industry

Regarding the tourism industry, specialists highlighted the existing gap between low budget hotels and higher end accommodations, especially as the ongoing Covid-19 pandemic forces hoteliers to target the domestic market. It was suggested that, with support from the IDB, Belize should continue to promote and strengthen domestic tourism given the fragility of the international market, through the development of a domestic tourism model that is more affordable and accessible to middle class Belizeans.

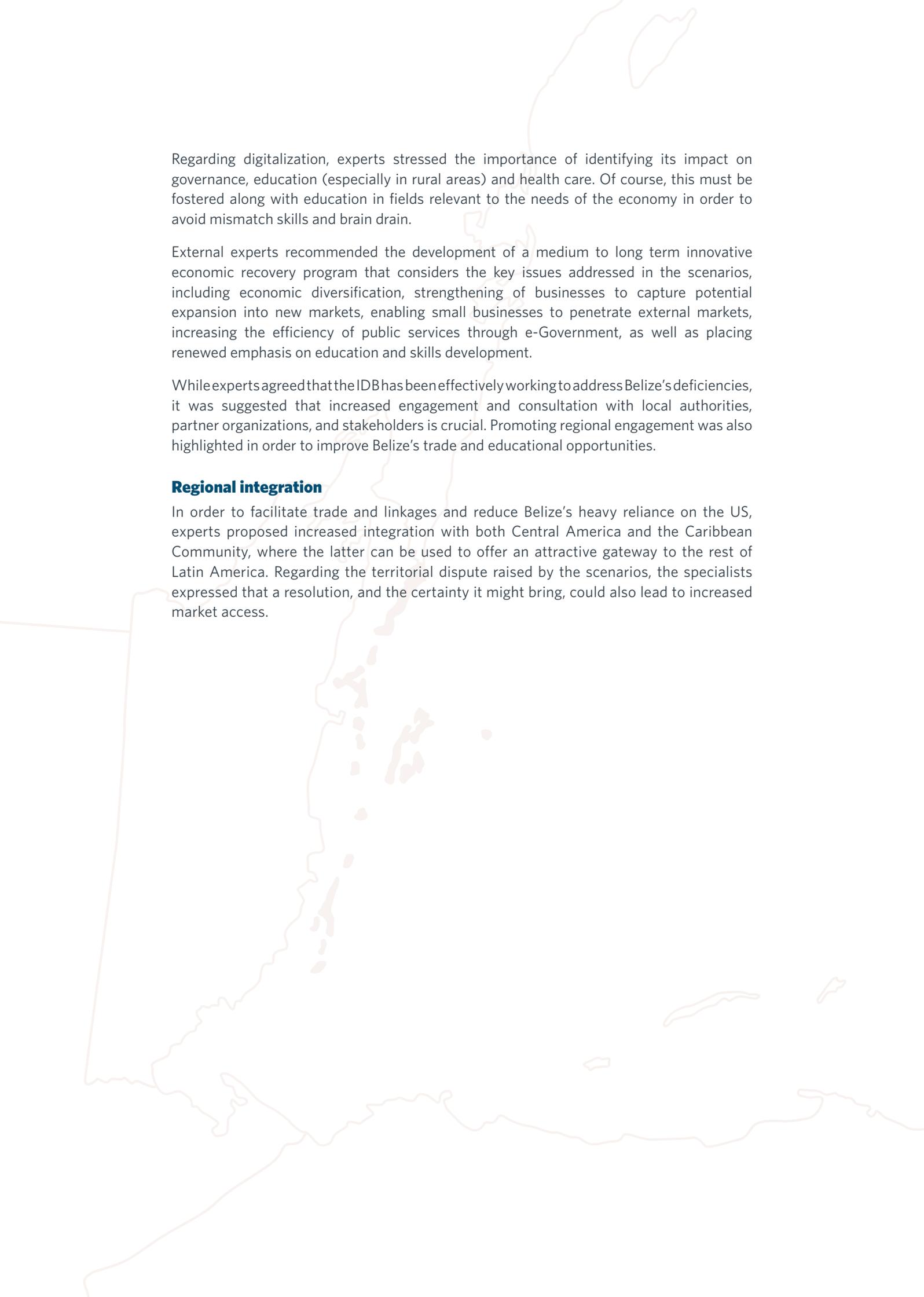
Development of a viable third-party

Some of the experts felt that the concept of a third major party could serve to put forward a viable agenda for Belize, although there was not consensus around this issue. Even those experts that were in favor of the development of a third party expressed that Belizean third parties tend to be built to counter the two dominant parties as opposed to putting forward an attractive alternative with real, meaningful policies. Therefore, if this agenda persists, and special interests continue to be pursued, a third party would continue to fail.

Economic diversification, investment, digitalization, and transformative change

Experts expressed that in order to successfully navigate the presently tumultuous global geopolitical landscape, Belize must become more strategic with its political and financial relationships and avoid exclusively depending on historical alliances, particularly in the areas of trade and investment. This would serve to attract much needed FDI from countries outside traditional investors, improve conditions within the key sectors that drive the country's economy, and develop those that are promising, particularly the BPO sector, where Belize may demonstrate a competitive advantage. Considering the country's size, domestic investment has been relatively low. Hence, a targeted and specific product offering to attract more FDI is necessary.

With that, the need for diversification within Belize's productive was again highlighted, with specific emphasis on reducing the reliance on imports for production. Once again, experts urged that fostering a culture of entrepreneurship and innovation, one that is currently lacking in Belize, is paramount to capture available opportunities.



Regarding digitalization, experts stressed the importance of identifying its impact on governance, education (especially in rural areas) and health care. Of course, this must be fostered along with education in fields relevant to the needs of the economy in order to avoid mismatch skills and brain drain.

External experts recommended the development of a medium to long term innovative economic recovery program that considers the key issues addressed in the scenarios, including economic diversification, strengthening of businesses to capture potential expansion into new markets, enabling small businesses to penetrate external markets, increasing the efficiency of public services through e-Government, as well as placing renewed emphasis on education and skills development.

While experts agreed that the IDB has been effectively working to address Belize's deficiencies, it was suggested that increased engagement and consultation with local authorities, partner organizations, and stakeholders is crucial. Promoting regional engagement was also highlighted in order to improve Belize's trade and educational opportunities.

Regional integration

In order to facilitate trade and linkages and reduce Belize's heavy reliance on the US, experts proposed increased integration with both Central America and the Caribbean Community, where the latter can be used to offer an attractive gateway to the rest of Latin America. Regarding the territorial dispute raised by the scenarios, the specialists expressed that a resolution, and the certainty it might bring, could also lead to increased market access.

CONCLUSIONS

The year 2020 was marked by some of the most unprecedented and profound changes in modern history. Efforts to minimize the effects of Covid-19 catalyzed the adoption of new policies and implementation of reforms, with many of these changes having the potential to impact life as we know it permanently. Yet, the speed at which countries responded to the Covid-19 challenges varies remarkably. Scenario Planning does not attempt to reduce uncertainty, but makes uncertainty more visible and palatable, and it prepares its users to anticipate and react to changes more rapidly.

Operating in the turbulent LAC context, the IDB has been experimenting with the Scenario Planning methodology since 2018 as part of its efforts to improve the way it manages uncertainty, as well as to hone its institutional agility in adapting to social, economic, political, and environmental changes that are beyond its reach or control. In the Vice Presidency for Countries, Belize was the first country to apply Scenario Planning, complementing the preparation of the IDB Belize Country Strategy (CS) for the period 2022-2026.

After more than a year of research and a collaborative endeavor, which included the participation of around forty IDB and external specialists, two scenarios were developed that explore the factors and drivers of change likely to affect Belize in the next decade. Additionally, specific recommendations were provided for the GoB to overcome the challenges described in the scenarios, and for the IDB to assist the GoB in this process. The scenarios and their implications, including identified challenges and recommendations, were all framed under the pillars that guide the diagnosis within the CS document. These pillars are: Anchoring fiscal policy for growth, Transforming the export sector through diversification, integration and innovation and Provision of social protection and skills to shape the future.

The Scenario Planning Exercise proved to be an effective tool for exploring drivers of change and opportunities for IDB's new CS in Belize. The process to build the scenarios stimulated insightful discussions and debates around issues that shape the country's present and potentially its future. It also fostered the reevaluation of the IDB's understanding of Belize, which inspired the team to identify innovative and strategic initiatives that could serve to overcome the country's main challenges as outlined in the CS.

A key element in unlocking dialogue on solutions outside traditional approaches, was the harnessing of a multisectoral approach. The diverse backgrounds of the participants, who were able to engage with each other during the process, enabled all productive sectors and cross-cutting issues to be considered, ranging but not limited to fiscal, environmental, social and digital elements.

Perhaps more importantly, the Scenario Planning exercise was able to shift the mindset of the participants to use scenario planning as a tool for long-term strategic thinking to aid member countries to embrace change, set goals, manage risks and thrive during challenging times. At the IDB, we concluded that Scenario Planning is a valuable tool that will further strengthen our engagement with countries, as well as our ability to provide strategic assistance to governments in implementing policies that serve to create a better and brighter future for their country.

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